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EGYPTIAN DOCTOR ADMITS OPERATING ON CASTRO

PA122228 Madrid EFE in Spanish 2123 GMT 12 Jul 87

[Text] Cairo, 12 Jul (EFE) -- Dr Ahmad Shafiq, a controversial Egyptian physician, was quoted by the Cairo newspaper AL AHRAM," as stating that he "successfully" operated on Cuban President Fidel Castro. However, he did not give the reason for the surgery or when it was performed.

According to a brief article that appeared in "AL AHRAM's" second issue on Sunday, Dr Shafiq "returned to Egypt after spending a few days in Havana where he performed emergency surgery on Cuban President Fidel Castro."

According to the newspaper, the Cuban Foreign Ministry "asked the Egyptian doctor to visit Cuba after famous U.S. doctors advised them to do so " Sources close to the Egyptian doctor, and who have requested that they remain unidentified, have confirmed to EFE that Ahmad Shafiq left for Havana "approximately 15 days ago" on board an "Iberia" flight. Shafiq was invited by the Cuban Public Health Ministry and "not by the Cuban Foreign Ministry."

The same sources stated that the Egyptian doctor remained "2 days in Cuba." However, other sources close to the same doctor have stated he remained in Cuba for 6 days and that the surgery was performed in June.

[Words indistinct] doctors in Cairo, that Dr Shafij, a surgeon at the University of Kasr El Eini (Cairo) is known for several "controversial activities." Several of his colleagues, contacted by EFE, have described these activities as "eccentricities."

According to those sources, the physician's association threatened to expel Shafiq last year after he announced that he had discovered "lupus erythematosus," and alleged "complete cure for rheumatoid arthritis." He received publicity after convoking several news conferences in Cairo that were attended by several foreign correspondents. According to the same sources, Dr Shafiq specializes in intestinal surgery and urology.

Dr Shafiq has refused to make any additional comments other than those published by "AL AHRAM," one of the most important newspapers in Egypt that publishes mostly official information. Its director was elected by the National Press Council, which operates under the Egyptian Parliament.

DOMINICAN REPUBLIC

SOCIAL UNREST RESULTS IN TWO FATALITIES

PA102342 Paris AFP in Spanish 2222 GMT 10 Jul 87

[Excerpts] Santo Domingo, 10 Jul (AFP) -- Demonstrations for social improvement, which have been increasing during the past few weeks as a result of slum conditions and demands by landless peasants, were marred by tragedy today. Two people, one of them a 3-month-old baby, were killed during disturbances.

In general, neighborhood strikes and protest demonstrations have aimed at calling the authorities' attention to the need to improve basic services, water, energy, main and secondary roads, sanitation, and schools. [passage omitted]

One of the two fatalities, 18-year-old student Salvador Then occurred during a clash between demonstrators and police in the Altos de Javiela neighborhood, San Francisco de Macoris, 150 km northwest of Santo Domingo.

According to the organizers of the strike, a leader of a youth organization affiliated with the Dominican Communist Party was shot to death by the police. However, a police headquarters spokesman said this afternoon that the police did not participate in the incident and that an inquest has been set up.

Several newspapers have reported that, until yesterday, action by the police has been "exemplary," meaning that they had succeeded in avoiding bloodshed.

According to newspaper reports, hundreds of people have been detained in Santiago and San Francisco de Macoris, and many of them have been charged with disturbing public order.

San Francisco de Macoris demonstrators reacted angily to Then's death by setting fire to an army truck, a community development office, and a motel that community leaders have long demanded be turned into a schoolhouse.

Today, it was reported from Puerto Plata, 240 km north of Santo Domingo, that approximately 300 peasants were injured after a group of 100 occupied 50 hectares of government-owned lands. They were evicted by police. [passage omitted]

HAITI

'ARMED AGENTS PROVOCATEURS' TO INFILTRATE PROTESTS

FL101559 Port-au-Prince Domestic Service in Creole 0100 GMT 10 Jul 87

[Text] A press statement released by the general headquarters of the Haitian Armed Forces informs the population that according to a police report, armed agents provocateurs are planning to infiltrate the demonstration scheduled for Thursday, 10 July, and fire on the population in order to create disorder and cast the blame on members of the Haitian Armed Forces. These agents provocateurs are even planning to don military uniforms, in order to sow confusion.

In view of the gravity of the implications of this on the lives of the people and on national security, the general command of the Haitian Armed Forces asks the population to increase vigilance. They also take this opportunity to ask the people to beware of any attempt to associate the members of the Haitian Armed Forces on active duty with any political machinations. At this difficult moment in the nation's life, the general command, as stated in its 4 July 1987 declaration, expresses the complete support of the Haitian Armed Forces for the National Government Council [CNG]. The general command repeats that the Haitian Armed Forces fully supports the CNG, to enable it to accomplish the mission with which it has been entrusted.

Signed: Gary Leon, Col O.A.O.A., Haitian Armed Forces, Acting Adjutant General

ANMESTY INTERNATIONAL REQUESTS PROBE OF DEATHS

PA100208 Paris AFP in Spanish 2035 GMT 9 Jul 87

[Text] Port-au-Prince, 9 Jul (AFP) -- The humanitarian organization Amnesty International voiced Wednesday its "deep concern" over human rights in Haiti, noting that "unarmed civilians, including women and children, have reportedly been deliberately killed" by the Army during the last few days.

In a letter addressed to General Henri Namphy, president of the National Council of Government, and published in Port-au-Prince, Amnesty International asks that "a complete and independent investigation be immediately conducted" into deaths of persons since 29 June, which have been estimated at "not less than 23."

The organization also asks the government to publish the full list of persons arrested during the current disturbances and to do whatever is necessary "to guarantee their physical safety during detention."

The communique released by Amnesty makes special mention of two adolescents who were gunned down by soldiers on 3 July on Port-au-Prince.

"One of them was reportedly thrown to the ground, kicked, and shot. The other one was fired at and killed after shouting in horror" at the sight of this spectacle, the communique says.

Amnesty also cites the case of "a 12-year-old boy, Bonet Saint Hubert, who was arrested by soldiers, who ordered him to place his hands against a wall and then fired at him with an automatic weapon. One of his arms had to be amputated later on."

PUCH CALLS ON PARTY MEMBERS TO JOIN PROTESTS

FL101632 Port-au-Prince Domestic Service in Creole 1300 GMT 10 Jul 87

[Text] The United Party of Haitian Communists [PUCH] has issued the following press statement:

Considering that from 7 February 1986 to the present, the National Government Council's [CNG] policy has never really leaned in the direction of the interests of the People;

Considering all the violations of the country's Constitution that the CNG has committed;

Considering that during the past six days of strike, the CNG made a certain sector of the army repress the people with a hail of bullets;

Also considering that the CNG is not at all representative of the people of Haiti, because it is an unpopular government which is defending the interests of the wealthy upper class composed of American and Haitian "foreigners",

Considering that the CNG has just decided, outright, to crush the people's democratic process;

And, finally, considering that to hold elections under the CNG is like asking the cat to babysit the canary,

We of the PUCH City Committee for Port-au-Prince have decided to adhere to the big demonstration to be held nationwide on Friday, 10 Jul [announcer adds: Meaning today.] Consequently, we ask all our militants in party cells in Port-au-Prince, and all other party members and sympathizers elsewhere -- all progressives, all staunch democrats -- to adhere to this great national undertaking, to make the people's demands heard and respected and to show all other peoples that this CNG does not really represent the Haitian people.

The demonstration's goal is to make the CNG and all the macoutes who are abusing the Haitian people and who wish to perpetuate the Duvalier regime, pull up stakes and move on.

The PUCH City Committee for Port-au-Prince asks all comrade party members and sympathizers to come by PUCH headquarters this very morning, Friday 10 Jul, in order to attend the said demonstration. [Announcer, commenting: So the demonstration is scheduled for 1000. It will be starting shortly here in Port-au-Prince]

The PUCH says: Down with the CNG! Down with macoutes! Long live the Haitian people's constitution!

The note is signed: Fred Verna, secretary general, for the PUCH

40,000 DEMONSTRATE FOR COMMUNISTS IN PORT-AU-PRINCE

PA102110 Buenos Aires REUTER in Spanish 2038 GMT 10 Jul 87

[Text] Port-au-Prince, 10 Jul (REUTER) -- A crowd of between 30,000 and 40,000 people marched through the downtown streets of this city today shouting in unison: "We don't what the Americans, we want the communists."

Communist leader Rene Theodore marched under his party's red flag, and many of the young demonstrators wore red shirts.

Diplomatic observes said this is the first time in Haiti's history that the communists have demonstrated openly in the streets.

Communist Control Denied

FL102232 Port-au-Prince Radio Antilles Internationales in French 1700 GMT 10 Jul 87

[Statement by Yves Volel, leader of the Christian Democratic Assembly, speaking in French and Creole; date and place not given -- live or recorded; monitored in progress]

[Excerpts] [In French] ...women and the peasant movements Claudette Werleigh; fifth, a representative of the Reformed Churches; Pastor (Pauris Jean-Baptists).

We deplore the fact that the National Committee of the Congress of the Democratic Movements [Comite National du Congres des Mouvements Democratiques -- Conacom] maneuvered to checkmate the aforementioned group, in the elaboration of the proposal which it had nevertheless helped to draft. First of all, the Conacom could not manage to type a one-page text in the period from 2100 to 2300. Then, Mr. Victor Benoit declares he opposes the choice of Mr Gerard Gourgue. Subsequently, he tells us that Mr Gourgue does not accept the nomination -- which is false. Conacom continued to complicate matters by demanding that departmental assemblies be held. They are provided for in the Constitution but not until after the general elections take place. There is certainly something more than meets the eye behind these maneuvers because AGENCE FRANCE-PRESSE has highlighted a report to the effect that certain persons belonging to the group of 57 are believed to be holding secret talks with the National Government Council [CNG], without the other political sectors' knowledge. Consequently, the alternative proposed by the Coalition for the Final Struggle [Coalition pour la Lutte Finale -- CLF] still stands.

We reproduce, here, the contents of the CLF's proposal: first, it should include a non-disqualified representative of the Supreme Court of Appeals; second, a representative of the human rights organizations; third, a representative of the Armed Forces; fourth, a representative of the Catholic Church and fifth, a representative of the Reformed Churches. Signed: for CLF, Reverend Sylvio Claude, Haitian Christian Democratic Party [Parti Democrate Chretien Haitien -- PDCH] Bernard Sansaricq, National People's Party of Haiti [Parti Populaire National d'Haiti -- PPNH] Yves Volel, Christian Democratic Assembly [Rassemblement Democrate Chretien -- RDC] Max Dubois, National Unity Party of Haiti [Parti d'Union National d'Haiti -- PUNH]

[Changes to Creole] I would like to give the contents of the text in Creole for the rest of the population. Bear with me a moment, please.

The Confederation for Democratic Unity [Konfederasyon Inite Demokratik -- KID] represented by Kompe Plim [also known as Evans Paul and K. Plim] took the initiative of assembling many political organizations at No. 19 Rue Champs de Mars in Port-au-Prince yesterday, 9 July. After discussions, an alternative to the CNG was adopted. Here is the alternative. First, it should include a representative of the supreme court of appeal, Felix Kavanagh; second, a representative of the human rights organizations, Gerard Gourgue; third, a representative of the Army, Colonel Jean-Claude Guillaume, retired -- whom, I point out, everyone accepted unanimously -- fourth, a representative of women and peasant movements, Claudette Werleigh; and fifth, a representative of the Reformed Churches, Pastor (Pauris Jean-Baptistste) [Passage omitted repeating above segment in Creole] I would like to add a few words, and that is that there is a lot maneuvering going on.

There is a member of the human rights office who came to see Pastor Sylvio Claude, Yves Volel, and Joachim Pierre in Sylvio Claude's office this morning and said that Mr Gourgue had sent him to tell us that he, Gourgue, has never said he would not accept. What he said was that before coming forward, he would like to see a consensus reached. Thus, he was sending word that he has never said that he will not accept and it is not true that he won't accept.

There is another problem. There is a big demonstration going on in the streets. We have been told there are many red flags -- communist flags. We have been told this is a maneuver by certain political sectors to make people think all the Haitian opposition is communist in order to complicate the work of the opposition parties. We don't know how true this is. Nevertheless, if the communist parties did put out the red flags, we hope they will have the guts to go to the media and acknowledge the paternity of this action. If no communist party acknowledges responsibility for this move, then that means there are other, differential people out there who are maneuvering and sending people out there with communist flags, with all kinds of communist stuff, in order to make the demonstration look like a communist demonstration -- either in order to obtain support for the CNG from certain noncommunist governments, so they will help it stay in power through the use of its weapons; or else so they can end up having foreign troops land in Haiti. This foreign intervention would guarantee that certain people would be able to enjoy the millions they have stolen from the Haitian people and made at the expense of the Haitian people. And when this foreign intervention occurs, they will consolidate their power further, so they can continue to take the children of the Haitian people to Fort Dimanche -- so they can continue to shoot them down.

People of Haiti, let us be vigilant. Let's keep an eye on them. Thank you very much.

OPPOSITION LEADERS STRIKE CALL REPORTEDLY FAILS

PA111733 Paris AFP in Spanish 1558 GMT 11 Jul 87

[Text] Port-au-Prince, 11 Jul (AFP) -- A call for an unlimited, general strike to topple the CNG made by three parties radically opposed to the government, who form the Coalition for the Final Struggle (CLF), failed spectacularly today. In fact, commercial and economic activities took place as normal today in the Haitian capital.

The committee that organized the general strike -- which groups 57 organizations and political groups who are supported by the church -- and the United Party of Haitian Communists ignored the call. The CLF includes the Haitian Christian Democratic Party of Sylvio Claude, the National People's Party of Bernard Sansarino, and the Christian Democratic Group of Yves Volel.

Local correspondents told AFP that in Cap-Haitien, second largest city of the country located 250 km north of the capital demonstrators attacked the home of Marc Bazin, one of the principal presidential candidates responsible for the Movement for the Installing of Democracy in Haiti (MIDG). The Army stepped in using tear gas grenades to disperse them.

The same demonstrators burned the vehicle of Louis Nosen, an official at Roi Christophe University and tried to burn his house, accusing him of being a CNG supporter in Cap-Haitien.

Yesterday, Friday, while thousands of persons staged peaceful demonstrations in various cities of Haiti, especially in Jeremia, in the southwestern part of the island, an important march was held in Port-au-Prince demanding the CNG's ouster. Responding to the call by the strike coordination committee and the Communist Party, tens of thousands of persons, mostly youths, marched without incident in the downtown part of the capital, chanting slogans againt the CNG.

RAINS LEAVE 8 DEAD, DOZENS INJURED, IN CAPITAL

PA121506 Paris AFP in Spanish 1430 GMT 12 Jul 87

[Text] Port-au-Prince, 12 Jul (AFP) -- At least eight dead, dozens injured, and hundreds of families homeless are the toll of the torrential downpours that fell yesterday, Friday, in several parts of Haiti. The heavy rainfall, in addition to causing vast damage, forced the government to declare several zones in a state of emergency. These zones are being aided through the coordination committee headed by Public Works Minister Colonel Jacques Joachim.

One of the principal areas most affected was the capital's densely populated neighborhoods where the heavy rains washed away several shanty homes, spilled mud onto the streets, and washed away vehicles and construction projects and even exposed several bodies in Port-au-Prince's principle cemetery.

TRINIDAD

PRIME MINISTER ROBINSON MAKES CABINET CHANGES

FL100210 Bridgetown CANA in English 2229 GMT 9 Jul 87

[Text] Port of Spain, Trinidad, July 9 CANA -- Prime Minister A.N.R. Robinson today made two changes in his cabinet moving part of the portfolio of external affairs minister, Basdeo Panday. The other change was the appointment of Anthony Smart, MP for the North West Constituency of Diego Martin East, to the previously unfilled post of minister in the Ministry of Legal Affairs.

The appointment shifts Smart, previously deputy speaker in the house of representatives, to a post which existed under the former government but had been left vacant by the new administration. Attorney general and legal affairs minister, Selwyn Richardson, had been the only minister.
inister in that ministry.

A government spokesman said tonight that the decisions had come out of this morning's regular cabinet meeting but that the movement of the tourism portfolio from Panday's control had come about at Panday's request. Panday's ministry, one of the four main superministries the new government had set up on taking power last December, had formerly been external affairs and international trade.

The spokesman said the change had come about from last week's Caribbean Community (Caricom) heads of government summit in St. Lucia at which Port of Spain had impressed the need for an aggressive international marketing thrust in the wake of drastically reduced trade within the region.

Panday had reportedly written to Prime Minister Robinson on July 6 saying that his new expanded mandate to promote international trade would leave no time for the tourism thrust which the country also embarked upon following declining oil revenues.

Robinson said that, as a result of the decision, he would be holding active consultations with officials on the redesignation of the tourism portfolio.

The government has been seeking to boost flagging foreign exchange reserves through tourism, trade, and foreign investment.

The prime minister's office also announced tonight that Panday left here yesterday for a meeting of the United Nations Conference on Trade and Development (UNCTAD) in Geneva.

Panday will also visit Trinidad and Tobago's missions in Geneva, Brussels and London as part of his research for restructuring commissions to feature international trade.

Since taking up his new portfolio in late December, Panday has constantly stated his intention to restructure overseas missions to take part in this country's foreign trade thrust.

4 POLICE OFFICERS SUSPENDED IN ARMS PROBE

FL102245 Bridgetown CANA in English 2340 GMT 8 Jul 87

[Text] Port-of-Spain, Trinidad, July 8, CANA -- Four senior Trinidad and Tobago police officers were today suspended following a probe into the recent disappearance of weapons from the police armoury, police said tonight.

The four include the force's former second in command, acting deputy commissioner, Lionel Dechi -- number two until the appointment of a new police commissioner last month. The others are assistant commissioner previously in charge of the police training college, Joseph Francis, acting senior superintendent Clyde Bertrand of the Guard and Emergency Branch -- the division involved in guarding the armoury -- and inspector Oneill Edwards, gun specialist at the armoury.

An inventory of guns at the armoury in May revealed the missing guns and eight people -- including four police constables -- had been charged with the thefts. Eight weapons, four sub-machine guns, three self-loading rifles and one .22 revolver were reported to be missing.

New police commissioner, Louis Rodriguez, then government's special advisor on the protective services, had conducted the probe.

Today's suspensions by the Supervisory Police Service Commission (PSC) take immediate effect. Fifty-three police officers, ranging in rank from inspector to constable, are currently on suspension here after being named in the report of an official investigation into the illicit drug trade published in February.

DUARTE DECLINES TALKS WITH STUDENTS, UNTS

PA031400 San Salvador Canal Doce Television in Spanish 0200 GMT 3 Jul 87

[Text] President Duarte said today that he will not hold talks with the university leaders or the leaders of UNTS [National Union of Salvadoran Workers] because they have links with the left-wing movement. Duarte made these remarks upon receiving $470,000 in wheat donated by the French Government.

[Begin Duarte recording] I went to the university to hold talks with the university students, and they received me with stones. How can you conceive that the president of the Republic can talk with people who do not want to talk with him and who receive him with stones? This proves that they do not want the problems to be resolved. I went to look for the rector to speak with him. I went to seek a solution to the problem and to help them, and they refused. [end recording]

Duarte said that FMLN documents direct these mass movements through UNTS, one of the leading workers organizations, which opposes the regime and is requesting talks with the president.

[Begin Duarte recording] The UNTS' problem is that it does not make the decisions. Its problem is that they are instruments of the FMLN-FDR to ... [changes thought] with a document I have in my power, which says that they do not want to talk about dialogue or about peace, and which instructs them to generate a mass mobilization to destabilize and overthrow the government. They say problems will not be resolved until the government is overthrown. What are they then going to talk about? [end recording]

Duarte declined to comment to the press on the recent developments within the PDC [Christian Democratic Party], and reported that he will leave for Europe on Saturday to receive financial support. These remarks were made when he and the foreign minister received at the port of Acajutla a French donation of 4,200 tons of wheat worth $470,000. The donation was presented by French Ambassador Alain Goutier, and it was aboard the French cargo vessel Francois Villon, property of a private shipping line that transported the wheat.

The president said that the wheat will be distributed among the needy and the 1986 earthquake victims. Representatives of these sectors will report if the donation was received. A total of 6,200 tons of wheat has been donated to the government in the past month by friendly nations.

DUARTE OFFICIALLY TOURS EUROPEAN COUNTRIES

Departure for FRG

PA071554 Panama City ACAN in Spanish 1553 GMT 4 Jul 87

[Text] San Salvador, 4 Jul (ACAN-EFE) -- President Jose Napolean Duarte left for the FRG today for a 7-day official visit.

The Salvadoran leader left aboard a commercial flight at 0930 (1430 GMT) from Comalapa International Airport.

Duarte will pay an official visit to the FRG from 5 to 12 July when he will meet with Christian Democratic and Social Christian leaders of that country.

During the visit, which Salvadoran official sources described as "a working visit," bilateral relations, particularly economic cooperation, will be assessed.

According to the Salvadoran Foreign Ministry, President Duarte will sign an economic assistance agreement (for 13.8 million marcs) to improve telecommunications in the rural areas and a 40-million marcs credit contract for the purchase of supplies and merchandise.

Duarte is accompanied by his wife, Ines Duran; Foreign Minister Ricardo Acevedo Peralta; Oscar Armando Amaya, chief of the presidential staff; David Mungia Payes, the president's aide-de-camp; and Alejandro Duarte, the president's private secretary and son.

During his stay in the FRG, the president will meet with Chancellor Helmut Kohl, Economic Cooperation Minister Hans Klein, the assistant foreign minister, and Council of Ministers President Franz-Josef Strauss. [title as received]

FRG Media Coverage

For additional reportage on the visit to the FRG by President Jose Napoleon Duarte, including his meetings with Chancellor Helmut Kohl and Foreign Minister Hans-Dietrich Genscher, see the Federal Republic of Germany section of the 6 July West Europe Daily Report and subsequent issues.

Duarte Interview on Tour

PM091601 Paris LE MONDE in French 8 Jul 87 p 2

[Bertrand de la Grange dispatch: "President Durate Seeks Diplomatic Support in Europe"]

[Excerpt] San Salvador -- In the course of the official tour of three European countries -- the FRG, Italy, and France -- which he starts Tuesday, 7 July, Christian Democratic President of El Salvador Napoleon Duarte hopes to secure "diplomatic support for continuing (his) efforts in support of democracy" in his country.

He also wishes to boost the solidarity of the European governments, which have been a good deal less generous than expected following the 10 October earthquake (1,500 killed and 100,000 homeless). Last, he also will raise with his interlocutors the possibility of opening Europe's doors to Salvadoran immigrants to offset the effects of the new U.S. law, which provides for the expulsion of illegal immigrants (around 300,000 in the case of the Salvadorans).

"Europe must realize how difficult it is to achieve democracy after living for 50 years under a military dictatorship. I am already encouraged by the fact that many countries have reestablished their embassies in San Salvador. This is the case with Mexico and France -- which, however, made a joint declaration in support of the FMLN guerrillas in 1981. These two countries now realize the extent of our efforts in support of democracy."

President Duarte's tour -- the first in Europe since his election in 1984 -- does not take place at the most favorable time for him domestically. In fact he is being increasingly challenged, even by some of his former allies, such as the trade unions, which in 1986 broke the "social contract" concluded before the elections. A new trade union federation -- National Unity of Salvadoran Workers (UNTS) -- which comprises about 150 trade unions and nearly 400,000 members, has stepped up social unrest by denouncing the deteriorating economic situation and the impoverishment of most of the population (living standards have fallen by 30 percent on average since 1982, and unemployment affects about 50 percent of the working population in the capital). Street demonstrations, which had virtually disappeared because of the brutality of the repression, resumed in San Salvador several months ago.

Unlike in previous years, the police are completely absent, even though some officers have issued increasingly severe warnings over the past few months to make know their "powerlessness in the face of extreme leftist provocations." These officers, and Mr Duarte himself, believe that the UNTS is a front for the guerrillas and that the trade union federation's leaders "have for 4 months been waging a campaign to overthrow the governnent."

In fact, President Duarte's Christian Democratic government has a good deal more to fear from the extreme Right than from the trade unions or even from the guerrillas, who, despite some spectacular successes since the beginning of the year, are unable to overthrow the regime. "We wish to take away from the Right the total political hegemony and economic control it has exerted over the country for so long," Mr Duarte said. "The Right is clearly resisting our plan for a democratic revolution, which has already affected it through the agrarian reform, the nationalization of credit, and the new foreign trade legislation."

The private sector's hostility to the government, which is accused of implementing an economic policy imposed by Washington, is as strong as ever. Company managers denounce the "confiscations" and the "systematic state intervention" in the economy. By brandishing threats of a coup, they sometimes succeed in making the government back down, as happened recently in the case of the tax reform.

The extreme right has recently had a new and particularly virulent spokesman -- Colonel Sigifredo Ochoa -- who, after announcing his retirement from the Army, has just joined the main extreme right-wing party -- the Nationalist Republican Alliance (ARENA). Col Ochoa has already set the tone by stating that he would not confine himself to denouncing President Duarte's attempts to dialogue with the guerrillas and his "leftish" policy, which "is ruining the country."

He also intends to prove, he says, that Washington has forced the Christian Democratic government to adopt a strategy aimed at preventing the Salvadoran Army from winning the war. According to this hypothesis, which has long been current in extreme rignt-wing circles and was until now deemed rather bizarre, it would be in the interest of the United States and some high-ranking Salvadoran officers to prolong the war -- the former because El Salvador is a strategic proving ground and the latter because the war is a means of enriching themselves through all kinds of dialogue.

President Duarte categorically rejects this interpretation, which he regards as a maneuver aimed at discrediting his government. He denounces the extreme right-wing newspapers -- two dailies out of the three available in the country -- which spread this kind of report. "But," he said, "we are prepared to lose a little popularity in order to continue the revolutionary changes which we have begun. Every revolution has a price, and I prefer the people to suffer some inflation and unemployment, if it is a matter of securing freedom, justice, and democracy." [passage omitted]

ACTING PRESIDENT CONDEMNS RECENT ORTEGA REMARKS

PA091613 San Salvador Radio Cadena YSKL in Spanish 1100 GMT 9 Jul 87

[Text] Acting President Rodolfo Castillo Claramount has condemned the statements made by Nicaraguan President Daniel Ortega to a Mexican newspaper in which he publicly admits that his government supplies weapons and supplies to the Salvadoran guerrillas.

Castillo Claramount said that in view of the increase in the country's violence, generated by the Sandinist regime, his government will present a strong protest. The acting president said that Ortega's statements are an admission of a crime because when one supplies weapons to the guerrillas, one is destroying the Salvadoran people and helping to maintain their critical situation.

Castillo Claramount charged that Ortega's statements and the decisions by the UNTS [National Union of Salvadoran Workers], the UCA [Central American University], and the FMLN-FDR organizations are part of the strategy to destabilize and destroy the country. He added that these actions clearly show that El Salvador is the target of a premeditated political-military action to destroy the democratic process, (?overthrow) the government, and establish a Marxist-Leninist totalitarian regime in the country. Castillo Claramount said that the government has a document seized from the FMLN which talks of the increase in strike movements and violence in urban and rural areas by the (?UNTS).

ACEVEDO SAYS U.S. DID NOT EXERT SUMMIT PRESSURE

PA272112 San Salvador Radio Cadena YSU in Spanish 1700 GMT 24 Jun 87

[Text] Salvadoran Foreign Minister Ricardo Acevedo Peralta today insisted that the U.S. Government has exerted no pressure to suspend a meeting of Central American presidents that was scheduled to take place in Guatemala tomorrow. Acevedo made this statement yesterday when he was consulted about the recently revealed opinion of a conservative party in El Salvador that the decisions of most Central American countries are made by the U.S. Government. In this regard, the Salvadoran official said:

[Begin Acevedo recording] I can tell you, in my capacity as leader of this country's foreign policy, that there has been no U.S. meddling. We have not been pressured. Mr Habib comes to El Salvador to exchange views; he comes here on routine missions, much like Ambassador Shlaudemann used to do. He comes here to make consultations in the most respectful ways possible, he comes here to ask about El Salvador's internal needs, but he does not exert pressure on Salvadoran foreign policy.

I wish to tell you that the Salvadoran decision caught Ambassador Habib completely by surprise, because he had been here 2 days earlier and the possible postponement of this meeting was not mentioned at all. We decided to postpone the meeting when we met with Foreign Minister Rodrigo Madrigal during his recent visit to El Salvador to discuss details of the upcoming meeting; Minister Madrigal accepted our decision.

I believe that this is an idea of the right wing. It is part of its strategy to discredit the legitimate Salvadoran government, but it is not at all in keeping with reality and the truth.

The United States does not touch or manipulate Salvadoran foreign policy. President Duarte has very clear and firm views. The fact that President Duarte took the initiative of postponing the presidents' meeting exclusively for internal reasons in El Salvador shows his autonomy and freedom in handling regional affairs.

President Duarte is willing to attend the presidents' summit and is determined to fulfill his obligations as a serious and responsible head of state. I know that there are political, strategic, and image interests in many Central American countries; that is why we hold meetings to reach agreements. President Duarte convoked meetings of foreign ministers because there was a disagreement between Guatemala and Honduras regarding the convocation of the preparatory meeting of foreign ministers.

You must have realized that there was a clash of interests between Guatemala and Honduras; therefore, President Duarte said: Gentlemen, it is not possible that we do not have a common position; I suggest that the five foreign ministers meet to sincerely discuss at length [2-second break in reception] an agreement. Right now, Honduras and Guatemala are convoking meetings at the same time; this shows that we have been unable to reach an agreement over such a basic point.

Therefore, consultations among the five countries must be made in a more sustained and specific manner. I believe that the United States' concern is very valid and legitimate. They are concerned because peace is taking too long to arrive in Central America; they have legitimate interests in Central and Latin America. That is why Habib visits the Contadora and Support Groups; he does not only visit Central America. [end recording]

Acevedo Peralta will travel to the Honduran capital tomorrow to attend the first meeting of Central American foreign ministers, one of four to be held before the presidents' summit during the first days of August. That meeting of foreign ministers will be attended by El Salvador, Honduras, and Costa Rica. The Nicaraguan and Guatemalan foreign ministers have already confirmed that they will not participate in the first meeting. The first meeting of Central American foreign ministers will take place after Panamanian President Eric Delvalle and Nicaraguan President Daniel Ortega meet today [24 June] to discuss peace in Central America.

SOCIAL SECURITY INCIDENTS SAID RESULT OF FMLN

PA901526 San Salvador Radio Cadena YSKL in Spanish 1100 GMT 9 Jul 87

[Communique issued by the Salvadoran Culture and Communications Ministry in San Salvador on 8 July]

[Text] In view of the unfortunate incidents that occurred this morning [8 July] in the administrative offices of the Salvadoran Social Security Institute, the Culture and Communications Ministry reports the following to citizens:

1. These incidents, in which some people, including Salvadoran journalists, civilians, policemen, and a police officer, were injured, are a direct result of the FMLN policy seeking violent confrontations and the creation of martyrs. This is clearly stated in the November 1986 FMLN General Command document: FMLN Policy of Mass Actions; Preparatory Phase of the Strategic Counteroffensive. The document states: The decisive factor at this time is the unleashing of mass violence.

Our political plan should include action as well as mass violence. Dialogue, negotiation, and political solution should be integrated into this plan without opposing the revolutionary popular war and radicalization and violence of the masses. At this time, our work with the masses makes no sense if we are not capable of integrating them into the war and unleashing mass violence. The government must be confronted with the dilemma of making concessions in the face of radical actions, thus stimulating the masses' violent action. This means that our components must prepare for casualties and prisoners and maintain morale.

2. The Culture and Communications Ministry laments the bloody incidents in which journalists were injured while doing their job.

3. We issue a call that to defend their legitimate rights guaranteed by our Constitution, the workers and citizens will use legal rather than violent means; a basic condition to build a more just and democratic society.

FDR-FMLN LEADER ON 18 POINT PROPOSAL REJECTION

PA031814 San Salvador Radio Cadena YSKL in Spanish 1100 GMT 1 Jul 87

[Statement by FDR-FMLN Vice President Eduardo Calles, To Javier Najarro "directly from Nicaragua"; no date given -- recorded]

[Text] We already have received a reaction -- always in keeping with the ambiguous and irresponsible line of Duarte -- definitely rejecting our 18-point proposal, which aims to humanize the war and reduce its economic and social costs.

We are disturbed by news appearing in Mexican media and local newspapers stating that a delegation of top officers will travel to Washington to request more military aid, especially aircraft such as helicopters and fighter planes, according to those reports.

Our proposal, as the public already knows, aims to slow down the war as a first step toward finding a political solution to the conflict. In the beginning, we learned about this ambiguous position -- and, as I said, a definitely irresponsible position by the Salvadoran Government that is slightly different from the Armed Forces' position -- but we now are receiving a much clearer reply: a Duarte rejection and specific actions by the Armed Forces to intensify the war; not to slow it down, as we are proposing, but to intensify the war.

They seek to intensify the war with the use of aircraft, which is one of the issues over which we expressed concern in our proposal; in the end, the bombings mainly affect civilians. Therefore, we are facing an acceleration of the war with the use of aircraft that will affect certain sectors of the civilian population such as the elderly, children, and women, as usual.

In this regard, we wish to state that the government has rejected our proposal. However, we have always left open the possibility of reaching an agreement with different sectors. That is, the political solution of the conflict does not pertain to the government alone; it pertains to all sectors of national life: economic, social, and political sectors. We must step up our active participation and seek a political solution. Our six-point proposal for a national dialogue is in keeping with that objective.

The government has not only increased war preparations; it has also increased repression. It recently captured and murdered war wounded in violation of international law and government agreements that allow our fronts to evacuate the wounded. Duarte tried to turn this into an expression of government kindness and generosity, but that evacuation was specified in previous agreements. Repression in cities has also been increased.

From the start, we have said that the Duarte government is really at the service of U.S. Government interests and policy and lacks an independent policy. Actually, the U.S. Government is interested in intensifying the war; intensifying the war to the detriment of Salvadorans who are involved in such a serious conflict.

This is what we want people to know: We reaffirm to the various sectors that in the end, a political solution will prevail although the government has rejected it.

FMLN COMMUNIQUE CONDEMNS DUARTE, GOVERNMENT

PA091739 San Salvador Radio Cadena YSKL in Spanish 1100 GMT 7 Jul 87

[Text] Bonn -- The FMLN-FDR Salvadoran guerrillas have said in Bonn that the political and economic aid sought by Salvadoran President Jose Napoleon Duarte in Europe will not benefit the Salvadoran people.

In a press communique released in Bonn during Duarte's visit, representatives of the guerrillas in the FRG noted that according to official figures, 50 percent of El Salvador's budget is used for the war against the rebels. The communique added that Duarte's government has not solved a single economic, social, or political problem of the Salvadoran people. Quite the contrary, the situation gets worse each day. According to the guerrillas, in the last 3 years of Duarte's administration there have been 1,694 persons killed by security forces or death squads, and 2,937 persons have been arrested or reported missing.

The number of refugees during Duarte's administration has increased to 1,245,000 and the number of missing has increased to 600,000, the communique added.

The guerrillas accused the Salvadoran Government of systematically rejecting a negotiated, political solution for the war. They said that while Duarte talks about peace and democracy in Europe, General Adolfo Onecifero Blandon, commander in chief of the Armed Forces, is in the United States requesting 70 more helicopter gunships to increase the fight against the rebels.

Finally, the FMLN-FDR accused the Salvadoran Government of permanently creating obstacles for peace efforts in Central America and of sabotaging the Contadora Group peace process. By sabotaging the Central American presidents' summit meeting in Esquipulas scheduled for 25 June, and which was postponed upon Duarte's request, President Duarte has faithfully followed U.S. Government's instructions, the guerrillas stated.

Jose Napoleon Duarte has shown once more that he is an unconditional supporter of President Reagan's military plans in Central America, the guerrillas stated.

FMLN REPORTS ON ACTIVITIES IN CHALATENANGO

PA061400 (Clandestine) Radio Venceremos in Spanish to El Salvador 2300 GMT 2 Jul 87

[Text] The following is a detailed report we have received from the invincible Chalatenango Department. Radio Venceremos has received information that on 29 June FMLN rebel units clashed with Military Detachment No 1 troops on (La Gris) Hill, near San Jose Las Flores, Chalatenango Department. Our comrades have reported that during this successful attack the enemy suffered 12 casualties. [words indistinct] 12 casualties that you will not recover, despite the dollars you may request from your masters, from [words indistinct] Reagan; 12 casualties, among whom is a lieutenant who was commanding those (?damn) and [words indistinct] troops. We have also learned that the soldiers fled, as usual. Greetings, Modesto Ramirez Central Front rebels. Continue to destroy the Army of defeat. Our people advance and the enemy retreats.

Our comrades have also advised us that following this attack, and as a result of the serious demoralization being experienced by the Duarte troops, a Military Detachment No 1 soldier shot and killed a lieutenant with whom he was having a fight. Gentlemen of the high command, this is the sad truth of an army that has fallen into a deep and unsurmountable military crisis.

Two lieutenants are dead as a result of our progress. These casualties raise the number of casualties suffered by Military Detachment No 1 in Chalatenango Department to 150. They have suffered these 150 casualties since their useless operation began on 20 May; 150 casualties in 40 days of victorious combat from 20 May through 29 June.

We have more military information from the Modesto Ramirez Central Front. At 1900 on 29 June, FMLN rebel units harassed two Army positions in Chalatenango City: at the Agua Frias tourist resort and at the Veracruz checkpoint. To date we have no information regarding the number of casualties inflicted on the enemy troops.

The information we have received from the Feliciano Ama Eastern Front states that on 28 June FMLN clandestine rebels distributed much propaganda in Los Naranjos, Sonsonate Department. Our comrades in Sonsorate report that the propaganda called on soldiers and paramilitary to refrain from repressing our people and to lay down their weapons.

RADIO VENCEREMOS REPORTS ON JUNE ACTIONS

PA050227 [Editorial Report] (Clandestine) Radio Venceremos in Spanish to El Salvador broadcasts at 2300 GMT on 1 July a 20-minute "military report for June, a month of guerrilla victories." The announcer adds that from 1 to 30 June the FMLN has inflicted a total of 575 casualties, including dead and wounded, on the "demoralized Duartist troops." The casualties include "one major, three lieutenants, four sergeants, three sub-sergeants, and two corporals." The announcer states that this is part of the FMLN campaign "for the achievement of bread, justice, work, and freedom," urging that "all people take up arms."

The report includes a summary of the war material that was seized as follows: 22 carbines, 25 cartridges for carbines, 10,000 rounds of ammunition for carbines, 4 M-16 rifles, 2 LAW M-62 rocket launchers, several M-79 grenade launchers, 25 M-79 grenades, several Claymore mines, 25 7.62 caliber cartridges, 800 5.56 caliber cartridges, 4. 38 caliber revolvers, and knapsacks. The announcer adds "all of this war material is now in the hands of our people and is being used by our clandestine militias and guerrillas who are defeating the decomposed army of Napoleon Duarte and his gorillas."

The announcer adds that the FMLN has carried out the following "victorious actions: "Seventy-one ambushes "with our powerful revolutionary mines," 19 clashes, and the occupation of over 6 towns for several hours "during which time it was proven that the troops of the treacherous Army have very low morale." From 1 through 30 June, the revolutionary army has also destroyed 20 carbines, 10 M-16 rifles, 2 military communications radios, 1 M-70 machinegun, and 4 military trucks, the announcer adds.

The Venceremos announcer then reports on agricultural machinery that has been destroyed on several farms, sabotage actions on high-power towers and power transformers, acts of sabotage on trains, and the destruction of a city major's office. In another part of the report, the clandestine radio reports that "we shot down a U.S. helicopter that now rests in the cemetery of scrap metal of the ragged Duartist Air Force."

28 Jun to 5 Jul Report

PA080410 [Editorial Report] (Clandestine) Radio Venceremos in Spanish to El Salvador at 2300 GMT on 3, 5, and 6 July, and at 1300 GMT on 5 July broadcasts a series of military reports of a total of approximately 20 minutes reporting clashes between FMLN units and the Salvadoran Army between 28 June and 5 July.

At 2300 GMT on 3 July, Radio Venceremos reports the following actions: At 0600 on 28 June, FMLN units clashed with 3d Infantry Brigade troops in San Francisco Canton, Lolotique Jurisdiction, San Miguel Department, seriously wounding one soldier.

At 0700 on 1 July, FMLN units conducted a "successful" ambush on the coastal highway, Jiquilisco Jurisdiction, Usulutan Department. The comrades of the Francisco Sanchez Front report that two guerrilla mines went off as an enemy vehicle transporting 6th Infantry Brigade troops went by. "Our effective people's armament inflicted 15 casualties on the demoralized Army troops."

At 1300 GMT on 5 July, Radio Venceremos reports that at 1330 on 1 July, FMLN units ambushed a two-vehicle military convoy on the road that leads to San Miguel Tepezontes, Candelaria Canton, La Paz Department. This ambush caused a total of eight army casualties, including wounded and dead. The FMLN units fought for approximately 1 hour.

At 2300 GMT on 6 July, Radio Venceremos reports that at 0930 on 1 July, FMLN units ambushed a Libertad Battalion patrol on the road from Suchitoto to Aguilares Municipality, Cuscatlan Department. The guerrillas inflicted two casualties on the Army troops.

At 2300 GMT on 3 July, Radio Venceremos reports the following actions: At 0600 on 2 July, FMLN units ambushed a 2d Infantry Brigade patrol in Santa Ana Jurisdiction, Santa Ana Department, inflicting two casualties on the Army troops, including a corporal.

At 1000 on 2 July, FMLN units occupied Llano Grande village and distributed propaganda. At 1100, A Belloso Battalion company showed up in the village and sustained casualties in heavy clashes with the FMLN units; the number of Army casualties is unknown. At 1200 on that same day, FMLN units clashed with members of the Belloso Battalion in El Cielo and Cacao Hills, Chalatenango Department. The number of Army casualties in this clash also are unknown.

On 2 July, Radio Venceremos reports "We inflicted one casualty on units of the Oromontique Battalion, in La Mora Canton, San Agustin Jurisdiction, Usulutan Department."

At 1300 GMT on 5 July, Radio Veneremos reports that on 2 July, FMLN guerrillas used rifle fire against a section of the Conchagua Battalion in San Miguel Department. This section of the Conchagua Battalion was quartered in Cirilagua Jurisdiction, San Miguel Department. "Our comrades report that the Army troops sustained several casualties. In addition, our units seized the following war material: 1 M-16 rifle, 5 packs, and approximately 12 cartridges for M-70 machineguns."

At 2300 GMT on 6 July, Radio Venceremos reports that at 0900 on 4 July, FMLN units attacked a 1st Infantry Brigade patrol at the Suchinango farm, Suchinango Canton, San Salvador Dpeartment. In this attack, one Army soldier was seriously injured.

At 2300 GMT on 5 July, Radio Venceremos reports the following actions: At 0805 on 5 July, FMLN units ambushed a vehicle transporting 6th Infantry Brigade troops on the coastal highway, near Piedras Blancas and San Marcos Lempa, Usulutan Department. "Our comrades from the Francisco Sanchez Front report that our units placed mines on the road on which the military vehicle was passing by the inflicted 20 casualties on the worn-out Duartist troops, including 8 dead and 12 injured men."

On 5 July, FMLN units ambushed a five-truck military convoy on the Pan-American Highway near Vuelta de la Herradura, Usulutan Department. The FMLN inflicted another 23 casualties on the Army troops. "We have inflicted (?58) casualties in 3 successful operations conducted in the last few hours in Usulutan Department."

At 2300 GMT on 6 July, Radio Venceremos reports that at 0930 on 5 July, FMLN units mined a passing jeep transporting 5th Infantry Brigade troops. The Army sustained seven casualties.

COPREFA REPORTS ON CLASHES WITH REBELS

PA052343 San Sanlvador Radio Cadena YSU in Spanish 1700 GMT 2 Jul 87

["Daily Report" issued by Coprefa; place and date not given]

[Text] Seven FMLN rebels died during clashes with the Army in several areas of the country. Four rebels died during a clash with Atlacatl Battalion soldiers near La Loma, (Portillo Hondo), Perquin, Morazan Department.

One rebel was killed and another one wounded during a clash with Military Detachment No 5 troops in the area of Chichontepec Hill, San Barolome Perulapia, Cuscatlan Department. The soldiers recovered an M-16 rifle and other equipment.

Another rebel was killed when an FMLN column clashed with Arce Battalion troops. The clash occurred early this morning when the troops surprised a group of rebels near El Marquesado Canton, Santiago de Maria Jurisdiction, Usulutan Department. The soldiers found 24 booby traps on the dead rebel.

Likewise, the Treasury Police reported that a rebel was killed when a group of rebels were surpised near (Sablocito) Canton, Candelaria de la Frontera Jurisdiction, Santa Ana Department. Following the clash the troops recovered a rifle and two pistols.

Meanwhile, the rebels set up an ambush war near Zapotitan Canton, Ciudad Arce Jurisdiction, La Libertad Department. The rebels stole a vehicle with license plates 75599, which was loaded with merchandise. The vehicle and merchandise belonged to Milton Alfonso Segura.

HIGH COMMAND ANNOUNCES 'ROUTINE' MILITARY CHANGES

PA031655 San Salvador LA PRENSA GRAFICA in Spanish 2 Jul 87 p 3

[Text] In the general order for June, the Armed Forces High Command announced several routine changes in the Army.

The main changes are the following: Colonel Rene Emilio Ponce has been appointed commader of the 3d Infantry Brigade headquartered in San Miguel. He replaces Colonel Miguel Antonio Mendez.

Colonel Juan Carlos Carrillo, commander of the Atlacatl Battalion, has been appointed commander of Military Detachment No 4 and commander of Morazan Department with headquarters in San Francisco Gotera. He replaces Colonel Mauricio Ernesto Vargas.

Colonel Manfredo Koeningsberg Cubias has been appointed director of the Capitan P.A. Guillermo Reynaldo Cortez Military Aviation School.

Lieutenant Colonel Ivan Reynaldo Diaz, executive of the 1st Infantry Brigade, has been appointed commander of the Atlacatl Battalion. He replaces Col Juan Carlos Carrillo.

Col Mauricio Ernesto Vargas has been appointed chief of operations in the joint staff. He replaces Col Rene Emilio Ponce.

Col Miguel Antonio Mendez, commander of the 3d Infantry Brigade, passes to the Armed Forces Joint Staff as assistant defense attache in Washington.

PRESIDENT COMMUNIQUE THANKS NORIEGA, DEFENSE FORCES

PA120110 Panama City Panavision Television in Spanish 0042 GMT 12 Jul 87

[Text] In a communique issued by the Presidency's Press Secretariat, which we received a few moments ago, President Eric Arturo Delvalle, in a note addressed to General Manuel Antonio Noriega, commander in chief of the Defense Forces, has publicly thanked the members of the General Staff, officers, and troops for the responsibility, good sense, and professionalism they displayed while maintaining public order in accordance with Executive Decree No 59, dated 7 July. In his note, the president stressed the calmness displayed by the members of the public order institution in face of the provocations of those who wanted them [Defense Forces] to commit excesses so such actions could serve as an excuse to continue their campaign to discredit the Republic.

The president's note to Gen Noriega states that the government's decision to ban all demonstrations during this current emergency and to instruct the Defense Forces to ensure that this was respected, was done to prevent violent confrontations between antagonistic groups that would have caused irreparable damage to te community.

Suspends FDP Checkpoints

PA130244 Panama City Circuito RPC Television in Spanish 0211 GMT 13 Jul 87

[12 July 1987 communique issued by the Press Secretariat of the Presidency of the Republic]

[Text] In view of the calmness prevailing in the capital city and other parts of the country during the past 48 hours, President Eric Arturo Delvalle has asked the Panamanian Defense Forces [FDP] to suspend vehicular checkpoints beginning at midnight tonight.

The original measure was adopted last Friday as part of a legal action to contain elements of forces, intimidation, anger, and provocation that could sink us into an abyss of grief, blood, or death.

In his request, the president expresses to the FDP his wish to restore free vehicular traffic in view of the atmosphere of tranquillity experienced by the country over the weekend.

In his request, President Delvalle reminds us, as he has been doing lately, that the most important objective is to restore peace in the nation and calmness to the Panamanian family. He reiterates to all citizens that we will only be able to find a real, effective, and honorable solution based on the justice, democracy, and liberty to which we all aspire through profound reflection by all sectors, together with a high degree of maturity and genuine unselfishness inspired by deep patriotism.

We also report to the citizens that the president of the Republic has convoked a general state council for tomorrow, 13 July, which will start at 1000 to analyze political events that have taken place in the past few weeks.

Bans Rallies, Motorcades

PA111825 Panama City Circuito RPC Television in Spanish 1730 GMT 11 Jul 87

[Excerpt] A press bulletin from the Press Secretariat of the Presidency sent to this station, states that the Government and Justice Ministry, through Minister Rodolfo Chiari De Leon, reiterates that the ban on political demonstrations and rallies is still in effect as long as the current situation persists. The information adds that the government and Justice Ministry's position is based on Article 2 of Decree 59 issued on 7 July.

Likewise, a government and Justice Ministry spokesman said at noon today that motorcades are also banned in all parts of the country. [passage omitted]

REPORTAGE ON INJURED, DEAD, ARRESTED IN PROTESTS

100 Arrested; U.S. Soldiers

PA111338 Buenos Aires REUTER in Spanish 0733 GMT 11 Jul 87

[Report by Town Brown]

[Text] Panama City, 11 Jul (REUTER) -- A tense calm prevailed amid the tropical heat of this capital following the demonstrations between antigovernment demonstrators and the Panama Defense Forces [FDP] that left at least 10 wounded and more than 100 arrested.

The downtown area resembled a battlefield last night with streets deserted but filled with flaming barricades and piles of trash still burning with asphyxiating smoke that evoked the acrid smell of the tear gas covering a large part of the downtown area during the day.

By nightfall sporadic shots could still be heard in residential zones of the capital, but there was a relative calm. The police engaged in a cat and mouse game with demonstrators with the support of Huey helicopter gunships.

Yesterday's violence, the worst yet in 1 month of political riots and turmoil in Panama, was unleased by the continued protests against the military strongman, General Manuel Antonio Noriega.

Recent calls for Noriega's ouster followed after charges were made by a renegade FDP colonel who accused Noriega of a wide range of crimes, from corruption to political fraud and assassination.

The protest movement against Noriega, which has spread from the middle class to other levels of society, appeared to gain momentum until yesterday when hundreds of riot police stopped it in its tracks.

The white handkerchiefs waved by many Panamanians in the past weeks as a symbol of protest against Noriega were used this time as bandages or, drenched in vinegar, as antidotes against the irritation caused by the tear gas.

Among those wounded during yesterday's clashes were Geofrrey Biddulph, 23, a U.S. correspondent based in Nicaragua for the newspapers THE ARIZONA REPUBLIC and THE DAILY TELEGRAPH of London.

A local television cameraman was wounded in the head by buckshot.

Military sources said that there were more than 100 persons arrested, including U.S. military airman Patrick J. Christensen of the U.S. Southern Command based in Panama.

Late last night a military spokesman told REUTER that five U.S. soldiers or their dependents were arrested or wounded in the last disturbances here.

U.S. Citizens Warned, Arrested

PA110117 Panama City Televisora Nacional in Spanish 0056 GMT 11 Jul 87

[Text] To expand on our major news item about disturbances in the capital this afternoon, TV 2 was able to ascertain just a few minutes ago that several U.S. citizens are being held at the Model Jail after having been caught participating with Panamanians in today's disturbances on Via Espana.

The U.S. citizens had maps, photographic equipment, and communications gadgets, and authorities have not been able to ascertain their motives. The U.S. Embassy in Panama and the Southern Command have been notified on the situation. The latter had been broadcasting television and radio messages advising U.S. citizens to keep away from sites of potential conflict. The arrested persons are currently being questioned.

Opposition Leader: 2 Dead

PA102327 Panama City ACAN in Spanish 2245 GMT 10 Jul 87

[Text] Panama City, 10 Jul (ACAN-EFE) -- Ricardo Arias Calderon, president of the Panamanian Christian Democratic Party [PDC] said that the "brutal repression" that the Panamanian Government used to prevent a protest against it "commits the opposition to maintain its struggle."

From his house, opposition leader Arias Calderon told ACAN-EFE that "the spontaneous protests will continue," because "the people can no longer stand more governmental madness."

Despite President Eric Delvalle's banning of any form of public protest, announced on Tuesday, the country's political and civic opposition called for a peaceful demonstration this afternoon [10 July] to demand the removal of General Manuel Antonio Noriega, commander in chief of the Panamanian Army. [as received].

Hundreds of members of the Defense Forces (approximately 500, according to military estimate) improvised military posts to hinder the movement of demonstrators heading toward Carmen church, the meeting place of the opposition.

Arias Calderon said that his party received reports of "hundreds of arrests, dozens of injured people, and two deaths," which he said he had not confirmed.

Fifty-four-year-old Arias Calderon said: "We had never seen anything like this, nor such a repression, nor so many people protesting in the streets."

The Panamanian politician said that "the military elite is isolated, and the protests will continue until Gen Noriega is separated from his post and a new government that gives the country a political and moral break is installed."

Lieutenant Colonel Eduardo Herrera, the chief of the antiriot operations, told ACAN-EFE that they arrested some demonstrators who "were disrespectful toward the police," but that they would be released "later" without any charges against them.

Zuniga Reported Wounded

PA110133 Panama City Panavision Television in Spanish 0015 GMT 11 Jul 87

[Text] ACAN-EFE reported that political opposition leader Carlos Ivan Zuniga received approximately 40 pellets wounds in his back while participating in a demonstration on Via Argentina, near his shut-down radio station, Radio Mundial. This was confirmed by witnesses to ACAN-EFE.

Chiriqui Protests Prevented

PA112344 Panama City Radio Exitosa in Spanish 2215 GMT 11 Jul 87

[Report by Eriberto Caballero, Radio Exitosa general manager for Chiriqui Province, from David, Chiriqui -- live]

[Text] Good afternoon, friends and listeners throughout the country. From Chiriqui Province, this is a report on what happened this afternoon after the National Civilianization Crusade called on the people of Chiriqui to participate in a demonstration. The demonstration was scheduled to begin at 1500 at the square where the monument to all mothers stand. The demonstration was not held, because obeying the orders issued by the president of the Republic -- the executive decree -- and by Government Minister Rodolfo Chiari de Leon, Defense Forces troops were deployed around various areas of the city of David. The troops were sent out early this afternoon to prevent the demonstration. Jose Domingo Torres, a lawyer who supports the National Civilianization Crusade and who is also the city's deputy mayor, has made the following statement.

[Begin Torres recording] I wish to give you a short summary of what, in my opinion, has been an unnecessary display of force on the part of the Defense Forces. Today at noon, we were participating in a motorcade, which is part of the activities of the National Civilianization Crusade. When we were nearing Panamotor, we were intercepted by a Defense Forces unit dressed in combat gear. There were quite a few men dressed in combat gear. Orlando de la Guardia, Chamber of Commerce representative and member of the National Civilianization Crusade, was mistreated by the troops. We have just learned that Mr de la Guardia had to be treated at the Rafael Hernandez Hospital and that he has been arrested. His wife, Mrs Vanessa de la Guardia, was also arrested and later released. Rafael Castillo, leader of the Christian Democratic Youth group, was also arrested. We have learned that 17 people have been arrested and that Msgr Daniel Nunez Nunez is trying to get them released.

We have been told that the women who were arrested will probably be released sometime this afternoon; however, the men will be released on Monday.

I would also like to add that in addition to this escalation of unnecessary violence, Defense Forces helicopters flew over the city. These helicopters dropped tear gas on the homes of members of the opposition. A specific example is Carlos Galan's home. Three tear gas canisters were dropped on his home.

Even though the National Civilianization Crusade had accepted the proposal made by Msgr Nunez -- he asked that we postpone the motorcade -- the people took to the streets, and they were evidently repressed with tear gas.

We have learned that near the public market there was a very huge display of force on the part of the antiriot squads. They were dressed in combat gear and their faces were painted as if they were going to war. They have never gone to war, and perhaps this is the reason for their actions to repress the people.

As a municipal authority and politician, I must condemn the measures adopted by Zones 5 (Chiriqui Province) officers and the civilian authorities. They have tried to give this unnecessary repression a legal status. The situation, from the square to Cervantes Park, was unchanged at 1630. This evening, at 1800, a mass will be said by Msgr Daniel Nunez Nunez at St Joseph's Cathedral in David. We will attend the mass as part of an activity of the crusade. This is all for now; thank you for this opportunity to address the people. [end recording]

Liberal Party Leader Arrested

PA110230 Panama City ACAN in Spanish 0203 GMT 11 Jul 87

[Text] Panama City, 10 Jul (ACAN-EFE) -- Arnulfo Escalona, leader of the Authentic Liberal Party, which is a member of the opposition Civilization Crusade, was arrested in Chitre, 250 km from the capital city. This afternoon, a motorcade was organized in support of the opposition protest that took place in the capital. The police arrested several participants.

Arnulfo Escalona, who showed up in his capacity as a lawyer to file a "habeas corpus" on behalf of those arrested, was himself arrested by military authorities and is now being held at the barracks. One of Escalona's sons relayed this news to the leadership of the Civilianization Crusade in Panama City and, in turn, Ricardo Arias Calderon, president of the Christian Democratic Party, told this to ACAN-EFE.

Antiriot Officer on 'Crisis'

PA102247 Panama City ACAN in Spanish 2159 GMT 10 Jul 87

[Text] Panama City, 10 Jul (ACAN-EFE) -- The officer in charge of keeping order in the city admitted that Panama has not undergone a crisis like the current one since 1968, the year of the revolution headed by General Omar Torrijos. Lt Col Eduardo Herrera, who is in charge of the antidisturbances operation and who is also Panamanian ambassador to Israel, told the press today: "I saw something similar only in 1968."

Standing in front of El Carmen Church, where an antigovernment demonstration was to be staged today, the officer stated that his street force by nearly 500 men was "only try to keep order."

Herrera emphasized that his only instructions have been to enforce Tuesday's presidential decree banning demonstrations and political rallies on the streets "to avoid anarchy."

From various points in the city, thousands of people have tried to reach El Carmen Church in response to the call of the civilizations Crusade and opposition groups, who lead a movement against the government and the Army staff headed by Gen Manuel Antonio Noriega. The demonstrators, dressed in white and carrying white flags, were scattered with tear gas grenades and shotgun fire. In response, those of the "White March," as the movement was dubbed, hurled stones against members of the Defense Forces and erected and set on fire roadblocks used to bar the passage of patrol cars.

Clashes between the groups occurred at various places in the city. These clashes have resulted in several injured, primarily by buckshot. Herrera pointed out: "No deaths have been reported." He added that weapons are fired into the air to avoid hitting people. He reminded his troops in front of members of the press "Let there not be power abuse." He also instructed them "not to shout" because shouting is a sign of nervousness.

Arias Calderon on Chronology

PA110346 San Jose Radio Reloj in Spanish 0100 GMT 11 Jul 87

[Interview with Ricardo Arias Calderon, president of the Christian Democratic Party, by Jose Joaquin Chaverry on 10 July; no place given -- recorded]

[Text] [Arias Calderon] The rally, which was convoked by the National Civilization Crusade and democratic opposition parties, was scheduled to begin at 1400. Throughout the night yesterday and this morning, government spokesman made threatening messages trying to make it appear that there could be a confrontation between the opposition and government sympathizers.

However, we only wanted to carry out a peaceful rally. We made that clear in various ways during the planning stages. Approximately 1 hour before the start of the rally, it was announced that the archbishop of Panama had received a promise from military staff representatives that there would be no repression as long as the demonstrators maintained a peaceful stance.

However, at 1330, 1/2 hour before the rally was scheduled to begin, an incredibly repressive wave was unleashed throughout Panama City. I personally witnessed from a place near the rally site a wave of teargas that the National Guard threw and continues to throw even inside houses.

There are reliable reports indicating that dozens of people were wounded with buckshot. There are (?unconfirmed) reports about one or two dead. It has been confirmed that dozens of people were arrested in various parts of the city where people gathered to walk toward the rally site.

Defense Forces helicopters flew over the city pointing machineguns at people, but, thankfully, they were not actually used.

However, these helicopters are flying lower than the top floors of residential buildings in an attempt to create panic among the population.

Responding to this new repression, the population has concentrated efforts to control various parts of the city, particularly Obarrio, 50th Street, Via Espana, Vista Hermosa, and Carrasquilla. In many of these places, dozens of roadblocks built with rocks, trash, and wood have been erected. Tires, trash, and any other items found by demonstrators are being burned in an attempt to protect themselves from the advance of antiriot forces.

In fact, there are certain examples that dramatize this situation. Dozens of people sought refuge inside the Santuario Nacional de Maria Church, which is located in one of the most affected areas. However, the antiriot forces hurled teargas inside the church. They also beat up several people and I was told that several more people were arrested inside.

This was a repressive act carried out directly by military forces under orders by General Noriega, who is trying to cling to power against the will of a people expressing their disagreement in peaceful ways.

I take this opportunity to call on all our Costa Rican friends, on all those who closely follow Panama's struggle to achieve a democracy: The time has come to protest against the dictatorial regime that is oppressing us and to show your solidarity. Costa Rica enjoys a democracy. What other neighbor can better understand what we lack?

[Chaverri] Dr Ricardo Arias Calderon, please explain the objective of this demonstration that was violently thwarted by the Defense Forces.

[Arias Calderan] The objective was to continue peaceful demonstrations that we have been carrying out in Panama for the past month. The objectives are very clear: We seek the removal of Gen Noriega from his post and the start of an investigation into charges of assassination, drug trafficking, fraud, and general corruption that have been leveled against him. Also, we seek to (?crystallize) the will of Panamanians to ultimately achieve a democratic government after more than 20 years.

OPPOSITION BULLETIN ON ACTIONS FOR 12-14 JUL

PA121755 Panama City LA PRENSA in Spanish 12 Jul 87 p 2-a

[Bulletin Issued by the Civilianization Crusade in Panama City; date not given -- slantlines denote passages published in boldface]

[Text] /National Civilianization Crusade/ "...you will be free because you want to be free. People who fight will triumph." /Simon Bolivar/

1. We urge all relatives of prisoners, of people who have been the object of abuses, and those whose property has been occupied or whose vehicles have been destroyed by the soldiers of the internal occupation (Defense Forces) to come to the offices of the Civilianization Crusade located at the Chamber of Commerce building.

A team of the Crusade's attorneys and representatives from the Human Rights [Commission] will be available to begin legal proceedings against General Manuel Antonio Noriega, commander in chief of the Defense Forces.

The office will be open beginning today, Sunday from 1100. Come to make your charges against the regime.

2. /Actions for Today, Sunday/

Attend mass at the following churches, wearing white clothing:

Guadalupe at 1200
Santa Ana at 1230
Cristo Rey at 1100
Cristo Redentor at 0900
Perpetuo Socorro at 1000
Santuario at 1130
Iglesia de Piedra at 1100
El Carmen Church (Juan Diaz) at 1100

/There will be a mass at the nunciature at 1100 to support and accompany the university students who are on a hunger strike for the reinstatement of democracy in the country. Following the mass, a huge motorcade will depart from the nunciature, and will travel round the main streets of the city. Honking of horns, banging of pots, and waving of handkerchiefs at 1200 and at 1800./

3. Monday, 13 July

Go to work dressed in white clothing as a protest to the repressive actions by the FDP internal occupation forces. Honking of horns, banging of pots and waving of handkerchiefs at 1200 and at 1800./

General assembly of all member groups of the National Civilianization Crusade at 1700.

4. Tuesday, 14 July

/Day of Freedom/

The Crusade hereby calls on people to occupy the sidewalks, in a peaceful way, at 1600, at the following places:

50th Street;
Via Argentina;
Via Espana (from the Panama Hotel to the intersection with Via Argentina);
Central Avenue (from Don Bosco Church to the Cathedral);
Camino Real de Betania;
Sidewalk in front of El Dorado shopping mall;
San Miguelito, sidewalks at the entrance to Paraiso and Villa Guadalupe;
Rio Abajo and Parque Lefevre.

With this peaceful protest measure, the oppressing regime will have no excuse to attack people.

We invite the entire national community to involve their communities in this peaceful action on 14 July.

EDUCATION MINISTRY SUSPENDS CLASSES FOR 13 JUL

PA122140 Panama City Radio Exitosa in Spanish 2103 GMT 12 Jul 87

[Communique issued by the Education Ministry in Panama City on 12 July]

[Text] The Education Ministry, aware of its responsibility to protect the safety of the students and because of uncertainty created by some sectors that are interested in promoting a situation of instability in the country, announces its decision to continue to suspend classes through 13 July in all private and government primary and secondary schools in the metropolitan area -- Panama City and San Miguelito -- and in Colon, Chorrera, and David. In addition, the decision was adopted to:

1. Hold meetings with the directors of the private and government schools to evaluate the situation in the schools and to issue instructions that will ensure the normal operation of the schools.

2. Hold meetings with the leaders of the parents and guardians associations to evaluate the current situation in the hopes of achieving the proper development of the educational process and to agree on measures that will contribute to the safety and tranquillity of their children and wards.

As soon as the conditions are appropriate to resume teaching, which we hope will be as soon as possible, we will begin an evaluation of the second bisemestrial period, and the mid-year vacation period will begin as established in the school year schedule.

We advise the national community that the Education Ministry will continue its attempt to offer a good education to children and young people, and it will implement the necessary measures to prevent all groups from using the schools as theaters for political activities or any activities apart from the educational process.

Issued in Panama City on 12 July 1987

BOGOTA RADIO REPORTS RUMOR OF NORIEGA RESIGNATION

PA101245 Bogota Emisoras Caracol Network in Spanish 1218 GMT 10 Jul 87

[Text] Attention Panama: Rumors circulating early this morning [10 July] in Panama stated that General Manuel Antonio Noriega, commander in chief of the Panama Defense Forces [FDP] has resigned his post. In the past few days, the supreme [words indistinct] has been the object of serious criticism by the opposition, which is preparing a demonstration for this afternoon that has already been banned by the government. There are no confirmed statements about the resignation of the successor of General Omar Torrijos, an officer who was in the intelligence service for 12 years, and whom the opposition has charged with corruption.

President Eric Arturo Delvalle has asked the attorney general's office to investigate these charges, and a statement on this is expected. Moreover, there is also a rumor in Paenama about a strong U.S. military presence to defend the canal with guards in combat gear posted at strategic sites to prevent public disturbances.

PRESIDENT ALFONSIN ON ECONOMY, CONSTITUTION

PY101930 Buenos Aires Domestic Service 1455 GMT 10 Jul 87

[Speech by President Raul Alfonsin in Salto, Buenos Aires Province, on the anniversary of Salto's founding -- live]

[Excerpts] Thank you very much, friends of Salto. It is a great pleasure to be here with you to wish you all a happy birthday. [applause]

This date invites us to think of our institutional past, to analyze our history and our personal memories. [passage omitted]

We are starting to exercise democracy. We know we are in a transition period. We are walking on a new path. The president of the Republic did not have previous executive experience. He could not have had it [words indistinct]. Each one of us -- the major, the governor -- has been learning. But above all, the people learned faster becasue they are giving lessons to the Argentine rulers.

There could have been a ruler in the past who served partisan interests, in a childish struggle of partisan politics. The people do not allow this anymore, because what do the people want now, my friends of Salto? The people want us politicans to stop fighting among ourselves. They want us to foreget our fights and start building the country together. [applause]

Therefore, this means that absurd criticism does not yield good results. Serious thought brings results. To stand at a rostrum and point out all that still has to be done brings results. To point out the mistakes we have made is a correct procedure. But, we must lower our voices when discussing politics in Argentina. We must not shout at each other. We will not convince anyone by shouting. One could obtain a temporary triumph, but shouting will not convince anyone. Good reasoning will convince the people, and good reasoning is what the Argentine people want. [applause]

This is how we are trying to reconstruct our economy. We are in better shape. All the indicators say so. There are farmers here who have suffered and will continue suffering because the international economic situation has made our international prices drop; the prices of our products have dropped.

A change took place in the policies of the EEC and in the United States itself, which with subsidies is harming the justice and fairness of international economic relations. But in this aspect we are also improving. We are trying to end the heavy taxes on exports commonly called [words indistinct].

Of course we are restricted by basic social and economic problems. Interest rates increase because the state, which does not wish to issue more money, and its agencies resort to the banks, thus competing with the private sector. The state must resort to the banks because it has a deficit. If there were no deficit, we would not have to resort to the banks, and the few funds available could be distributed at a different interest rate because, all in all, it is a supply and demand problem of the private sector. We are making an effort.

We assumed power with a national deficit, I believe of 12 percent of the GDP. We have made it drop to 3 percent of the GDP, and for next year we will try to make it drop to less than 2 percent of the GDP. However, these actions take time. They cannot be solved in a day because, for example, we cannot cause more state unemployment at a time when the private sector is not totally prepared to absorb these workers. We have reduced the deficit, but we cannot eliminate jobs that are necessary for the people. In this sense we will continue giving our support to the farming sector.

I could continue giving you examples of economic improvement, like the increase of industrial activity and of the national GDP, as well as the manner in which we put our economy in order at the international level. All these facts demonstrate that our country is being reconstructed with our great effort. [passage omitted]

We cannot be satisfied with merely straightening our course and increasing our growth to 5 percent of the GDP as it now stands. As I said, it is necessary to change the country. It is necessary to modify many things. These changes must be analyzed by the Argentine people.

Why do we say it is necessary to amend the Constitution? What is wrong with our Constitution? Obviously, we are not trying to modify its foundations. Its ethical foundations have been and will continue to be those of the 1953-60 Constitution. Yet we have to amend it, especially regarding the form of government.

Our Constitution has not protected us from the damage that any democracy is bound to suffer even if the Constitution is formally complied with. Neither has it protected us from coups d'etat. It is very inflexible because it does not allow for adjustments to sociopolitical changes. Such adjustments could prevent a coup.

I believe our Constitution has another weakness which, in my opinion, has given rise to bitter arguments. This weakness has to do with a situation that has become normal in the current system of goverment. In fact, as soon as a party assumes power, the loser immediately tries to discredit the government in order to win the next elections. This has only served to foster confrontation and it is of no use in the state through which Argentina is now going.

We must change the Constitution so that, rather than favoring harsh arguments among the parties, it favors agreements among them. [applause] We should find a formula so that if the government was doing badly there would be no need to resort to a coup, but instead a prime minister could be dismissed. Thus the government would be changed, but the presidential institution would continue to safeguard democracy for all Argentines [applause]. We should have a constitution that authorizes Congress to remove the government. Congressmen, who are the representatives of all the Argentine people, shoud have that power and be responsible for what happens, because at any time one of them might be entrusted with the responsibility of forming the new government.

In addition, the Constitution should promote harmony among parties, so that neither the government nor the state should ever be considered as any party's private property. It is impossible to govern the nation this way. Everyone should have his own share of responsibility. The ministers should not all belong to a single party, because party membership is not as important as a person's willingness to work for the Argentine people. [applause]

All this will not be easy, but I believe if we meditate on it, we will be able to meet the responsibility we inherited from our forebears, who gave us what we are now enjoying. We are grateful for all that we have, just as we are grateful to God for making us children of this land. [passage omitted]

What I ask you, whatever your party, is to work and preserve ethical principles and peaceful coexistence, in order to build the Argentine future. Thank you very much.

VICE PRESIDENT SUGGESTS PRESIDENTIAL REELECTION

PY102310 Buenos Aires DYN in Spanish 1602 GMT 10 Jul 87

[Text] Coronel Pringles, 10 Jul (DYN) -- Vice President Victor Martinez has said that he favors, "with reservations," the creation of a political system that would include a prime minister. Martinez also indicated that it would be appropriate "to shorten the term of office of the president and to allow reelection."

Martinez made these remarks upon arriving in Coronel Pringles, Buenos Aires Province, where he will preside over the 105th anniversary celebration of the district.

The vice president was received in Coronel Pringles by Mayor Julio Lozano and a crowd of nearly 1,000 people. Martinez said he agrees there should be a prime minister "if his duties would be to cooperate with the president or to coordinate the activities of the different ministries."

However, Martinez said he did not consider the proposal suitable "if it means reducing the power of the presidential system, or the powers of the vice president, whoever that might be."

As on previous occasions, Martinez said he favors a constitutional amendment that would allow the reelection of the president. He added that if this were done, "the presidential term should be shortened."

GASS ON WILLINGNESS TO END FALKLANDS HOSTILITIES

PY101826 Buenos Aires Domestic Service in Spanish 1600 GMT 10 Jul 87

[Text] Senator Adolfo Gass today said that Argentina has repeatedly told the United Kingdom that it is willing to decree a cessation of hostilities whenever the UK is willing to discuss all issues pertaining to the Malvinas affair within the framework of UN resolutions.

Senator Gass was answering reports from London which state that the British Parliament has decided to continue enforcing the exclusion zone surrounding the Malvinas in view of Argentina's refusal to decree a cessation of hostilities.

Gass said the British argument is an excuse and added: From the point of view of international law, there is no need to decree a cessation of hostilities because Argentina has never declared war on the United Kingdom. Therefore, this is not a valid excuse, and we are quite surprised by it.

DECREE ON ECONOMIC REACTIVATION RELEASED

PY111630 La Paz La Red Panamericana in Spanish 1130 GMT 11 Jul 87

[All figures as heard]

[Excerpts] The supreme decree on economic reactivation was released to the public last night during a press conference at government palace. The government has not changed the prices of staples nor the dollar exchange rate.

The economic reactivation program is backed by $1,583,000,000 which has been allocated as follows: $1,079,000,000 for the public sector and $504 million for the private sector and cooperative enterprises.

The economic reactivation law is divided into seven chapters and 225 articles containing the guidelines of the new phase of the government's economic policy. Supreme Decree No 21,670, in more than 130 pages, expresses the spirit of the economic reactivation plan which, according to the government, establishes the guidelines for an economic reactivation that will also have its impact in the social sector.

The press conference held at government house is obviously the issue of the day. Therefore, here is a summary of this event.

First, Information Minister German Antelo introduced the subject, and then Foreign Minister Guillermo Bedregal explained the reason for this decree. The following are Minister Bedregal's statements;

[Begin Bedregal recording] This decree responds to a political decision of the constitutional government. It is a politicial decision which, in addition to interpreting the government's decision to implement a genuine development process, establishes two basic premises. The first one establishes that there are no technical or theoretical possibilities for a liberating development -- a development with the participation of the people, a development designed to productively strengthen the fatherland -- without stability based on the government's new economic policy. This stability, which in theory sought to modernize the state, to incorporate a practical development plan for a time of crisis, has obviously met difficulties because in order to understand the crisis we are experiencing we must understand the crisis that is affecting the world and that does not seem to have any immediate solution. As a consequence we have had to resort to technical and theoretical mechanisms that reflect this reality. [end recording] [passage omitted]

Finance Minister Juan Cariaga Osorio then disclosed the contents of the economic reactivation decree.

[Begin Cariaga recording] Chapter No 1 of the economic reactivation decree refers to the funds to be used for the economic reactivation. As is obvious, resources are necessary to (?reactivate) the economy. This program requires more than $1.5 billion, which will be financed mainly by multilateral and bilateral organizations. The IDB will provide $480 million for the 1978-89 period, bilateral organizations $322 million, the World Bank $161 million, and the Andean Development Corporation $115 million.

Nonreimbursable loans will amount to $234 million, the special funds for economic reactivation [fondo extraordinario de reactivacion economica] will amount to $100 million, and the Bolivian share for investments in the public sector will amount to $200 million. Of these resources $1,079,000,000 will be allocated to the public sector and $504 million to the private sector and cooperatives.

The sectors to which these funds have been allocated have been established by the multilateral and bilateral organizations. [end recording]

Cariaga said that Chapter No 2 refers to the financing of public investments through a plan for the 1987-89 period.

[Begin recording] We have established a 3-year investment plan for the 1987-89 period, for which we have a total of $879 million in foreign resources allocated, and $200 million which will come from the Bolivian contribution for investments in the public sector. These investments will be made in the hydrocarbons, transport, communications, agricultural, livestock, mining, and other public sectors.

Chapter No 3 establishes a special fund for economic reactivation that will be administered by the Central Bank of Bolivia through credit lines. [passage omitted] [end recording]

Planning and Coordination Minister Gustavo Sanchez de Lozada then referred to measures to promote exports. He said that production will be promoted in the country but did not mention any items in particular. In sum, the government will promote the export of all goods produced in Bolivia. [recorded passage indistinct]

In referring to adjustments to public service tariffs and transport fares, Minister Sanchez Lozada said they have been made after analyzing the behavior of the national economy. [passage omitted]

When he was asked if Bolivia will be able to honor all its commitments [words indistinct], Planning Minister Sanchez de Lozada said that everything has been carefully analyzed and the funds are backed by Central Bank reserves. Regarding the disbursement of the total funds that back the economic reactivation plan, according to the government investments they will be gradual at first and later the quantity of funds disbursed will increase. At this point minister Sanchez de Lozada said disbursements are being hindered by bureaucracy and the process of calling for bids. He added that these funds will be distributed by internatinal agencies in order to ensure their best use and distribution. [passage omitted]

BRIEFS

NEW POLITICAL MOVEMENT -- The National Electoral Court has registered the Movement of the National Left, MIN, [Movimiento de Izquierda Nacional]. MIN President Luis Sandoval Moron said his party will promote a coalition with popular and leftist parties to participate in next December's municipal elections. [Summary] [La Paz La Red Panamerica in Spanish 0000 GMT 11 Jul 87 PY]

DIPLOMATIC TIES WITH MALTA -- In an official communique, the Bolivian Foreign Ministry today announced that Bolivia has established diplomatic relations with Malta effective 7 July 1987. [Summary] [La Paz La Red Panamericana in Spanish 0000 GMT 8 Jul 87 PY]

PRESIDENT GARCIA'S ECONOMIC PLANS SPEECH

PA072310 Lima Television Peruana in Spanish 0109 GMT 6 Jul 87

[Speech by President Alan Garcia: place and date not given -- live or recorded]

[Excerpts] Tonight I will discuss the government's economic plans. Perhaps this will be a tedious and difficult speech, but before I begin, I would like to say that the economy is only one of Peru's problems. Economy is only one part of the historic project for a great change in society. Our goals were, and continue to be, to make sure our country will have greater independence based on its growth, to decentralize political decisions by regionalization and organization of the people: to democratize the distribution of wealth and social participation, and to once again find and strengthen the cultural and historical identity of our nation.

To do this, 2 years ago we began an anti-imperialist economy with regard to the debt, and nationalist economy with regard to increasing consumption and productive growth. Before I talk exclusively on these economic subjects, I want to state that our revolutionary project is to build a national economy, mainly supported by the people and their organizations: therefore, the economy we have followed up to now will have to be complemented with historical subjects such as regionalization, the productive work in the National Economic Congress, the strengthening and promoting of cooperative and social property means, and a better distribution of wealth. Without all of this, the economy would be an incomplete factor of a great historic project, a project that we want.

I will begin by saying that despite the news and problems, we are planning to maintain and strengthen the basic concepts of the new economic program we launched in 1985. I am aware that we have made some mistakes in carrying out this program, and as president, I am in the process of making the corresponding self-criticism. However, now, as leader of the country, I am interested in reviewing this with all the people, in reviewing what we have wanted to do. In other words, reviewing the main model that is our guide for the economic future.

Two years ago, the consumption and purchasing power of the people was smaller. Consequently, most of the factories and economy were working at one-half or less of installed capacity. The government then said: First, we must increase demand, which is the consumption power of the people. That will result in the reactivation of factories and work at full capacity. Some wondered: What will happen when the factories are working at full capacity? We answered that this will be a second step for increasing demand, and the profits will be used for new machinery and factories. Then, we were asked with what dollars will we purchase machinery abroad? We answered: With the dollars we have not used for the foreign debt. They still asked us: And suppose we run out of those dollars? We answered: We will not run out of these dollars, because the new investment will work not only for internal demand, but also for export purposes. Those exports will give us new dollars with which we will re-initiate growth. The cycle we proposed was then very clear: We replaced the low demand we had, and a production that was largely idle, with high demand so the factories would work more. [passage omitted]

We know very well that for there to be internatinal investments, we must first pay the debt. We know very well that in the last 10 years, Latin America has received much less capital in investments and credits than what has been paid toward the debt. Thus, with that situation, we end up losing dollars, and being poorer. In other words, for investment to be attractive to foreigners, the country must become cheaper all the time. That is why they say we must devalue the currency, so each dollar that enters is worth more inside Peru. In other words, we must pay less for work. However, we know that in this manner, demand decreases, production decreases, and we return to the same old situation. Besides, it says that because we must devalue the currency, it is also important to increase interest rates so the citizens will save intis [Peruvian national currency] and not purchase dollars.

However, that increase in interest rates only means that nobody invests, because everybody prefers to have money in (?useless) savings, or to continue to purchase dollars. Last of all, as interests are increased, the cost of production increases. Prices increase more than salaries, demand drops, production drops, and there is no investment.

I have stopped to mention this formula, which is the world theory, because as a result of the problems we have had in recent months, once again the apostles of that theory have appeared. This world formula that seeks to, quote, put one's house in order, unquote, and cure our evils, ends up worsening our situation. As a result there is more poverty, inflation, and capital flight, and the country would only live to pay its debt.

I sincerely think that our model has probably not been the best one. It is not perfect; it is not a miracle or a marvellous thing. However, I am sure it has been better in the last 2 years. It had been many years since the country did not grow more than 8 percent, and in spite of the difficulties in the prices, purchasing power remained unchanged. We now have more reserves in dollars than before. For the first time, we have taken care of 5,000 peasant communities in which 5 million Peruvians live, as well as hundreds of thousands of unemployed persons.

Perhaps all of this is very little; it is true. Some will say it is very little; but it is something, and that is important. Thus, in the face of the imperialist concept, Peru has a nationalist model that has all of the difficulties of the situation we are experiencing.

The problems we have are not of the model itself. They are the problems of the country, of our lack of credibility, and of our lack of trust. It is also a model we are building day by day, and it is a tremendous turn in theory and practice to strengthen the national capabilities and democratize well-being little by little.

That is why many eyes inside and outside Peru are pleased to see the problems we have. They would like the model to fail completely, because it might be a bad example for other countries. The imperial power and its allies would like to see us again being obedient to the IMF. They will not see that. Thus, this is the political sense of the economic model.

Sincerely speaking, it is a good model on a blackboard and explained in this manner, in concept. However, many things can fail in practice. Many things can change. In practice, many things have changed, or were not done well perhaps. We did not explain ourselves well, and there was no trust, or perhaps they did not believe us. However, in spite of those mistakes, there is a positive balance. A few days ago, I said to the nation that it is as if we had advanced 100 meters along that path. However, perhaps the strength of the wind or perhaps the lack of courage has pushed us back 50 meters. I am aware of that, but I am not going to give up or sit down and cry.

Any president that does not make a self-criticism of his work does not deserve being a ruler. One must not hide errors, because one ends up deceiving oneself. Thus, the model is good, but mistakes have been made, and we must be very much aware of these errors. What are these errors?

First, we did not fully meet with restricting payment of the foreign debt to 10 percent of the exports value. For one reason or another we paid more than that amount in state securities [valores patrimoniales]. In other words, we paid the organizations and banks 10 percent in dollars, in money. However, in addition and parallel to that, other creditors were paid with industrial or mining products. In that manner, debt payments in resources amounted to more than 10 percent.

As I invented the theory, I could be stubborn and say the only thing worth paying is the payment in money, in bills. But the truth is, we are concerned over the state securities that are produced within and that leave as payment. Therefore, it is true: We paid more than 10 percent. We admit it, and now we must be more strict in fulfilling the theory.

This fact should not lead us to the conclusion that we obeyed the imperialist system or the banks. If we had done that, we would have paid 50 or 60 percent of our exports value. We did not do that, but we did not pay the 10 percent either. Naturally, the important fact is that even though it amounted to 17 or 18 percent, we have acted in a political and voluntary manner, not forced by the creditors. Thus, to conclude, the first mistake must be corrected with fulfilling the restriction of payment to the foreign debt.

A second mistake we made is that despite our reiterated statements and calls, there is tremendous delay in planning the investments of businessmen and industrialists. For one reason or another, regardless, we have not achieved the quick coordination required for investments. The model says that as the demand increases, there is greater production in the factories, and this leads to greater surplus by the industrialists. This surplus must immediately become investments, so we can continue increasing the demand, and so forth. However, that not only requires a will to coordinate actions, but also good management. [passage omitted]

Sometimes someone says: We will freeze all prices. Because that is impossible, the government loses credibility. Other times, the prices of the most important products are frozen, and officials have the political illusion that they will remain fixed for a long time even if production costs increase. However, this results in a scarcity and, in the end, the price increase is much greater than that which should have been made at the beginning.

We do not want to and must not offer anything that is unreal or demagogic. However, we do want to get the market and the society involved. We want to demand from producers and consumers that prices go up to rational levels that are less than salaries to preserve demand and investment.

To these mistakes we made, we must add other circumstances that resulted in more difficulties. For example: farm growth for this year had been estimated at 7 percent. It was going to be an historic year in farming. But suddenly, a cold freeze in the mountains caused the lose of several billions [currency unspecified] in products that were to be harvested. Just like the [word indistinct] peasant, the important thing is to plant again and know how to wait. In addition, the order and trust under which the economy should work is affected by the alarmist nature of many news.

It is true that there are products that are scarce, but if a scarce product becomes the main news, it will seem like all other products are scarce. These are problems, but they are problems that are particular to our geography and democracy. I cannot answer for them. I cannot complain about them. I can only respond for the errors of my administration and I am seeking ways to correct them. All in all, the economic model is correct, but it now has certain problems that must be solved for the sake of Peru and its majority.

Before going into the specific measures, I will repeat that the economy is only part of a political model that will be complemented with social measures for the country's overall transformation. If I were asked what are the rules of the game, I would say that in the economy, they are the concepts and the model I have already explained. The object of the game is to guarantee that in the next 3 years -- following the same guidelines used in the previous 2 years -- our country will be freer and more sovereign. We want its economy to develop without any interruptions. We want its wealth distributed more justly among the citizens and the regions. We want to find our identity in the cultural and historical spheres.

I said that later we will propose the creation of the economic congress so the economic model will not conceive of workers as mere consumers and spectators, or the businessmen as investors. On the contrary, it should unite them all in a nationwide analysis effort.

We reaffirm government's support for cooprative ownership, and when the regions are created, we will propose other democratic measures, thus opening a new, democratic, and socialist trend in the history of Peru.

Let us return to the most specific problems of the economic model, its rectification and consolidation. First, we must maintain the basic model. We must promote its implementation, becuase it is not an obsolete model. There is idle industrial capacity. There are factories that can work with the same machinery they have. There are reserves for growth that will last several years. Peru has approximately $2 billion at the Central [as heard] Reserve Bank. There are important possibilities to export to world markets. There is liquidity for domestic investment, here and now. There is the revenue from last year's reactivation. However, basically, there is a market here that can increase its demand. There are the people who have the right to consume more.

The first step we must take is to reaffirm our position regarding the debt and be consistent with the 10-percent concept, which has not been strictly followed, but always seeking to receive more resources than those spent.

The second basic topic is to maintain demand. I will stop here. In recent months, unfortunately, inflation has been greater than the salary increases. This is dangerous. Demand should not drop, because production would drop and there would be no conditions for investments. To maintain the demand and increase it, the government is now ordering the following wage increases:

The vital minimum wage [salario minimo vital] will receive a 35-percent increase. It will go from 1.26 million soles to 1.7 million. I want to recall, although it is pointless, that 23 months ago, the vital minimum wage was 360,000 soles or 360 intis. Therefore, with this increase, it has increased by 370 percent, almost 4 times in these past 23 months. This was an increase that was way over any increase. I want to point out that the government policy will be to continue improving this salary level for the poorest, the employees who receive less.

For government workers, including the Army and police forces, there will be a 25-percent increase. It must be noted that in the case of policemen, this increase is in addition to that which has already been granted. There will be a 25-percent increase for workers without a collective agreement.

The teachers and doctors will get a 35-percent increase. The reason for a greater increase in these areas is a result of the government concern to devote its resources to improve the country's education and health. These are sectors that, as you all know, have been entrusted to the first two lady ministers in the history of Peru. I am sure they will promote overall policies that are in line with this salary increase.

These increases are intended to increase the yearly salary 6 percent higher than the inflation or price increase. However, the increase in the demand to boost production does not only depend on salaries because there are many Peruvians who do not have a salary. For this reason, the government is devoting part of its resources to funds and special expenses to curb unemployment, poverty, and misery; but that, at the same time, reactivates demand.

Regarding this, the government intends to implement, without politization or partnership, the program for temporary income [Programa de Apoyo al Ingreso Temporal, PAIT] until we can have 120,000 new jobs in this 2d semester. However, I hereby announce that PAIT will gradually become a project for the creation of jobs for youths ranging in age from 18 to 25 years who are unemployed and will get a high percentage of the vital minimum wage. In addition, the decentralization of PAIT should begin to be processed by the municipalities and the popular organizations.

A second fund is that of the peasant communities. This fund plays a great role in determining justice. It involves the direct delivery of resources to more than 5,000 communities. By the end of the year, the government will have distributed 500 billion soles. This will have an important effect in the increase of demand.

Likewise, and to maintain the level of profits of farmers and peasants, the government will use the fund for agricultural reactivation, which is more than 5 trillion soles, to maintain the prices of farm products. Therefore, with the wage increases and these special funds, we seek to boost demand so it can increase production. For this reason, we trust that Peru's GNP will increase by more than 7 percent this year becuase of these measures. Let us recall that with past policies, the country entered into a recession. This means that some times it became stagnant and even decreased. Our main concern is growth.

Our first anti-imperialist and democratic duty is to make the economy grow and spread consumption among the people. World domination and the imperialist economic theory applied to poor nations are aimed at making them less productive and poorer. We have chosen another path. We chose this economic model that we must defend and consolidate to avoid returning to old patterns. A third essential topic is that of salaries. One may say: If salaries increase, prices will increase.

However, that is not so. That is part of the old concept. If salaries increase and production remains unchanged, there will be more money to purchase the same quantity of products. Therefore, the price of each product will increase. This is very clear and logical. We are increasing salaries because production can increase in Peru. That is why prices will only increase at a reasonable rate. In addition to this, in order to compensate for the current salary increase, and prevent it from being carried over to prices, the government will take other measures in connection with interest and exchange rates.

Interest rates; that is, the cost of credit needed by producers, will drop. The active rate is currently 40 percent. However, in practice it is much higher. From now on, the real rate will be 32 percent, and the passive rate; that is, the rate received by savers, will be 20 percent. On the other hand, the exchange rate; that is, the cost of the dollar that producers need, will remain unchanged. We need the prices of food, medicines, and agricultural products, which are the most important items for the people, to remain unchanged. That is why the price of dollars used to import those goods will be fixed at 16 intis for the remainder of the year. Likewise, the price of dollars for industrial raw materials or parts that do not compete with local production will remain at 20 intis for the rest of the year.

Although last December I announced a fluctuation in dollar exchange rates of 2.2 percent per month, under the current circumstances it is best to keep the price of the dollar as it is. To retain that fluctuation of 2.2 percent would imply maintaining a cost-increasing factor. Therefore, this concept is being amended by fixing the interest rate. However, if the price of the dollar for essential imports is fixed, this is because these products are very important for popular consumption. It would be unfair, however, to maintain that rate on dollars for nonsocial uses. It must be clearly understood that the dollars we obtain from exports must be used for national growth, social consumption, and general welfare. Therefore, it is fitting to increase the cost of dollars not used for production or general welfare. Thus, for consumption goods [as heard]; industrial products that compete with domestic production; tourism, and personal services, the Central Reserves Bank will establish the respective surcharge that will make more expensive the consumption of nonessential goods and the nonsocial use of dollars. Each dollar, each foreign exchange unit, all our reserves are strategic for our development, independence, and social justice.

However, for exports; that is, selling abroad, the exchange rate must be more dynamic. The country needs foreign exchange as the product of its labor. For this, it must promote exports without sacrificing domestic consumption. This applies not only to nontraditional products, but also to traditional exports, including those derived from mining, fishing, and agriculture. Let us take the case of small and medium-size mining industries, on which tens of thousands of miners depend, as an example. This sector is suffering not only as a result of low world market prices, but because the dollars it receives are changed at a low rate. It is currently receiving 18 intis to the dollar. This jeopardizes production and workers' salaries. The Central Reserves Bank will immediately update this exchange rate. In addition to this, at this point, the dollar for exports, which does not affect domestic prices, will maintain the 2.2 percent monthly fluctuation rate that has been in force since the beginning of the year.

This does not imply, as during previous administrations or various oligarchic governments, an encouragement of disproportionate profits for exporters. Attempts are being made to promote foreign exchange revenues and guarantee the country's development independent of foreign credit and IMF guardianship.

However, if this system and measure lead to excessive profits, the government's tax policy will be alert to receive the corresponding taxes, in accordance with the laws. This way, through the reduction of interest rates and the stabilization of import dollars, attempts are being made to reduce costs and increase demand so more goods will be produced, while lower profits are obtained on each one of these.

Other factors, which you are thinking about, influence prices: For example, the desire of some people to make more money quickly; to make a lot fast; or the comparison of production profits with the profits obtained from purchasing dollars at the Giron Ocona [not further identified], and waiting for a devaluation to occur; that is, speculating on national disaster, and contributing to it. With that mentality, industrial profits could also be comprared to the enormous earnings by drug traffickers. However, that is not a moral line of reasoning, and I hope it will not prosper. On the contrary, a desire to stay in Peru, investing, taking risks, and working within reasonable profit margins, must exist. If these profits are still not obtained, hope must exist that in the future increased demand and national development will yield profits.

At the beginning of this administration we decreed as an emergency measure freezing prices for several months. Then a system of administration and control of prices was set into motion. Within this system, the most important prices are established directly by the state, and less essential prices are regulated. However, this system, which had a good start has been sidestepped in connection with many products, causing an imbalance and unnecessary price increases. Unfortunately, there are many black [market] sales; sales without receipts; and sales to informal merchants, who are virtually impossible to control. On other occasions, product models are altered and registered under a new price. These are typical things.

We must understand that if all of us increase the prices in a disorderly way, we will be smothering our own future investments, because with higher prices there will be lower consumption and less production. Our industrialists must understand that the greater the consumption capacity of our people, the higher the increase in the demand and the higher the possibilities of investments. That is a long-term rule that is worth more than wanting to earn more immediately. This advice goes not only for the big or medium-sized industrialists but also for the small craftsmen, the shop owners, and the informal merchants.

If we all try to earn a lot immediately, the only thing we would be doing is digging a grave for the country's economic future. One would have to hire perhaps millions of people to watch over all those involved in an economic activity. As a national leader, I have an obligation to address the conscience of each individual. I believe in Peru, and I believe in each Peruvian's ability to think about this and to understand that we must all establish our salaries in an orderly manner and accept our reasonable profits.

It is true that in many cases, the government did not correct some prices, thus leading to nonproduction, because nothing is produced at a loss. It is true that we have often not wanted to increase a price so the monthly inflation would not go up. That is a mistake. However, it will be corrected because we are interested in the great future and not the immediate success, which sometimes can deceive us.

This is why we will insist on stricter management and control of prices. I address the municipalities, the popular organizations, and the mothers clubs. I repeat that to control everything, we would need a huge bureaucracy, which would be susceptible to corruption. I think that only the popular and social organization and national will can be efficient controls. Only people who achieve a high level of awareness about their development and future can control their possibilities. Prices should only vary in a reasonable manner when the production costs increase. Therefore, the state will take more drastic steps with offenders and will use its instruments with more harshness and severity.

I am especially interested in the basic products of the popular basket: cooking oil, rice, bread, noodles, powdered milk, frozen fish, detergent, kerosene, iron for houses [hierro para vivienda], public transportation, and electricity. We will make every possible effort so those prices that are set and controlled by the state will not change unless their production costs make this inevitable, because those prices guarantee the elemental right to basic nourishment.

A fourth essential topic is the question: How will the state finance the wage increases, the profitability of exports, and the special funds for the peasant communities? Some will say that is the weak point, the frailty, the failure. How is the state going to finance all of this increase in demand? It has been announced with alarm that there will be a package of price increases. I state that there will be no such package of increases, and I ask all the people, the producers, the merchants, and the consumers not to generate a package of increases. What would we gain by increasing salaries if we immediately increased the prices? There would be no increase in demand; there would be no production; there would be no conditions for investments; and the savers would continue to buy black-market dollars to send abroad.

The only healthy way to finance development is to grow and invest. There are still many brains obsessed with the fiscal deficit. It is said to be bad if the state spends more than it receives, that expenses must be reduced. Therefore, it is said there should be no more higher wages for the teachers, policemen, and employees. We say: On the contrary, the state should finance its own economic revenue by increasing demand and increasing production, thus replacing what some call the deficit with real growth.

In other words, if the country can and must grow to satisfy the demand, that demand is controlled by the state through wages and fiscal expenses. For example, a fund for the peasant communities that permits them to improve their irrigation and production and then purchase products from the urban industries is a multiplier of growth. Therefore, fiscal expenses can and must be redistributed and stimulate an economy that is now working below its production capacity.

Of course, there is a limit to everything. We cannot use this new idea to engage in a spending rampage. This would be an irresponsible action. We must always ensure that expenditures will result in production. It would be very dangerous to spend resources on unproductive endeavors.

This is not our case. In Peru, there is ability, resources, and possibilities to increase consumption and the market. Besides, the only way to promote investments and avoid dollarization is to increase production. This can be done only by increasing the demand, and this is achieved only by increasing salaries, fiscal expenditures, and by everyone making an effort to control prices. Larger expenditures have to be covered, of course, by additional income. Additional revenue, as has already been announced, will come from gasoline.

Other politicians and rulers are afraid to announce price hikes; not I. Not I, because I trust in the economic process and I am not scared by specific issues when they are reasonable. Gasoline has been increased only 20 percent since August 1985. The basic minimum salary has been increased during the same period by 370 percent. Let us compare these two increases, and we will see that the gasoline price increase is neither irrational nor unjust. Furthermore, it is not only an increase to cover a fiscal deficit, it is also necessary to achieve other objectives. First: Cheap gasoline encourages the use of privately owned vehicles instead of mass transportation. In addition, Petroperu has increasingly less resources to explore for and exploit our oil.

While gasoline prices now increase 25 percent, the price of diesel -- which is the fuel that all the buses of Lima use -- will not go up. So, the gasoline price increase will have no direct impact on the economy of the majorities.

Third, to finance fiscal expenditures, we must make use of taxes. We have made an error in this regard, and we must correct it. I have said this before. For the purpose of keeping prices from going up and to increase demand, we reduced indirect taxes but we did not increase direct taxes, which must be paid by those who have more resources or who consume luxury or nonessential items.

So now we will selectively increase prices on the purchase of automobiles, tourism, international fares, home appliances manufactured with imported parts, food and beverage services in first-class hotels and other establishments. In addition, we will modify the tax rate on incomes higher than 20,000 intis, or 20 million [as heard], so those who have the most may justly contribute a little bit more. In addition to the high salaries, the social inequality that exists in our fatherland permits valuable property and high-level consumption to be enjoyed by only a group of Peruvians.

We cannot accept investments and savings aimed only at buying machinery, creating jobs, and producing more. [sentence as heard] We have to turn our eyes to consumption, to luxury consumption, because right next to the big mansion we find a hut made of tin; right next to one who travels abroad lives another who has tuberculosis.

I am addressing Peruvians who are well-to-do and very rich. I want to remind them that if they own expensive assets, houses, automobiles, and swimming pools; and if they frequently visit Miami and Europe, they are still fellow citizens of peasants who have no medicine and no shoes, of the poor people who live in Arenal, and of the unemployed.

This is not a matter of grabbing or taking away. Have no fear. This is a matter of winning you over to solidarity. Rather than a big-stick policy, this is the policy of awareness and careful thinking. Democratization is not a process against the rich. Democratization is a project of society as a whole. Each dollar that leaves the country represents a family that could be going hungry.

If we are to speak about financing to resolve unemployment and to help the peasant communities, the most healthy, just, and well-balanced way of doing it is by establishing a special contribution by taxing visible signs of wealth. This contribution will compensate for the alarming decrease that has been registered in the income tax figures in recent months.

The government will do everything necessary to increase the number of tax-payers and tax revenue. At the same time, the Peruvians must show we are capable of expressing solidarity, of sharing, and helping those who have less.

I urge industrial and professional organizations, particularly the Industrialists Confederation [Central Industrial] and the Confederation of Business Associations of Peru [Confederacion de Instituciones Empresariales del Peru], to propose to the government the ways and means of obtaining a special contribution from the wealthy sector from sectors and owners [not further identified] for the direct benefit of special funds for the poor and the unemployed. This is solidarity and it is part of democracy in a moment of need.

A fifth and last topic: All this effort leads to investment and growth. All revenues and surpluses must be invested in the country. Certain theoreticians say that in this way, the bourgeoisie becomes consolidated. We say that in this way we are nationalizing the bourgeoisie. This is a decisive and essential step. Formerly, the surpluses and the revenues were sent abroad. Now, we are beginning to reinvest them in the country, thus creating more jobs. This is a way to socialize surpluses to the extent that they are not sent abroad but are invested in creating jobs and in more production.

Our intention is not only limited to coordinating efforts with the large buinessmen, those referred to as the 12 apostles. The historical project must be implemented through the promotion of cooperatives, thus consolidating Peru's democratization process without hegemonism or impositions. A concerted effort for democracy must be made also with the popular organizations, the municipalities, and, over the medium term, with the regional governments so they can be agents of investment and production.

With this aim, we created the investment and employment funds, the FIE [Fondo de Inversion y Empleo] strengthening savings for investment and separating those savings from the speculative and profit-making savings in which we are not interested. We are not interested in useless savings. We must support savings that will be used in investments. For this reason, we must defend the FIE from inflation with positive interest rates. In this way, the two key factors for growth, salaries and the savings for investments, will always overcome the danger of a loss in purchasing power.

We will also promote production. We will basically promote the production of capital goods through the exemption of the general sales tax and a 15-percent tax credit. The use of the installed capacity will be promoted through tax credits equivalent to the contribution to the Peruvian Social Security Institute and 20 percent of the payment for indemnifications in enterprises running one or more shifts in addition to those they run now. The enterprises' assets will be strengthened through the capitalization of 50 percent of the sums that totally or partially exempted from the income tax.

I am mentioning all these details but, as I said at the beginning, I am basically interested in stressing the importance of the economic model. It is true that we have made mistakes and must correct them. I am not adverse to self-criticism. I tell the truth. The path will continue to be very difficult. However, the people's demand and consumption must continue to be the big lever for investment and production. For this reason, we must fight inflation. We must protect our foreign exchange and reserves. No one will be justified in saying we have returned to the past or continued as before. I just said we made progress with great drive at first, but later on, unfortunately, we regressed in our path. However, we still have a positive balance. There is still time to take the right path.

I urge everyone to think about this. I apologize for taking so long but this is a model that requires the country's attention, trust, and faith. It needs the awareness of the workers and the poorest, to whom this government is committed. This model needs the awareness of the industrialists to defend the nation, the awareness of the mothers to defend their future, the awareness of the government to have strength and thus, consolidate its nationalist, democratic, and popular model.

With confidence that we will overcome our problems, citizens, I tell you that we will win. Do not be afraid. We will win because our homeland's cause is just and it will win. Thank you.

'BOLSHEVIK' FACTION SPLINTERS LEFTIST GROUP

PY101912 Lima EXPRESO in Spanish 2 Jul 87 p 5

[Text] A Bolshevik sector has deposed Senator Rolando Brena Panto and Jorge "Ludovico" Hurtado Pozo from the UNIR [National Unity of the Revolutionary Left] leadership thus causing a new splintering of the United Left [IU] coalition.

The leadership of the UNIR, which is made up of extreme leftist parties, is headed by Alberto Mosquera, who yesterday charged that Brena and Hurtado are "revisionists and traitors to the people's struggle."

During a press conference, Mosquera charged that the two leaders have used the UNIR movement to achieve personal ambitions and "as a platform to obtain electoral advantages."

Mosquera, who like Brena and Hurtado belongs to the "Red Fatherland" communist party, reported that in the future UNIR will try to rescue the movement's doctrinary principles and will dismiss those leaders who "distorted the nature of the movement's objectives."

Mosquera stated that the leaders in question "never represented anyone or anything from the UNIR," and that they only caused the grassroots to distance themselves from the movement. He added that "before, UNIR was able to fill the San Martin Plaza with its followers, but now it can't even fill the San Marcos quarters."

Mosquera said he is requesting that the IU national board dismiss Brena and Hurtado as UNIR leaders, and register his name and that of other legitimate UNIR members as representatives. However, the legal representative of the group headed by Brena and Hurtado yesterday said that Mosquera's attitude has no legal grounds and that therefore "his is an illegal movement that lacks representation within UNIR." He added that Mosquera "is resorting to a maneuver to confuse public opinion and to create unrest within the IU." The lawyer added that legal action may be taken to punish the "usurpation" of posts in UNIR.

ARMY, ANTIGOVERNMENT FORCES CLASH; 3 KILLED

PA112044 Paris AFP in Spanish 2331 GMT 10 Jul 87

[Text] Paramaribo, 10 Jul (AFP) -- Heavy clashes between soldiers of the Surinamese Army and members of the antigovernment forces led by Ronny Brunswijk took place this morning in eastern Suriname, near the border with French Guiana, the official news agency SNA reported today.

The military sources did not give details on the clashes, but confirmed the death of one Surinamese soldier and two allegedly French mercenaries in clashes on Thursday afternoon. One of the mercenaries was identified as legionnaire 19-year-old Laurent Takacs, according to French Charge D'Affaires in Suriname Gaston Le Paudert.

According to Le Paudert, Takacs is serving in Aubagne, France. The identification was made from photographs and documents that the youth carried on him.

The other mercenary, who was wearing the same combat uniform as Takacs (bearing the brand name "J. Veyrier, Paris"), has not been identified. According to military sources, a third mercenary was seen during the clashes in which Takacs and his companion were killed.

Government sources have reported that the heightening of the clashes in eastern Suriname coincided with the presence in French Guiana of dissident groups made up of Surinamers and Netherlanders, who head the Brunswijk group's actions. The presence of the group, which includes former President Henk Chin A Sen and former Prime Minister Jules Sedney, in French Guiana was reported at the beginning of the week.

Moreover, it was reported that American Billy Pearson, the pilot of a Surinamese Army helicopter, died today of multiple wounds received when he was forced to make an emergency landing in the Commewijne area as he returned from an observation flight. In an interview by a local television station in Paramaribo's military hospital, the helicopter had suffered a mechanical failure. Four Surinamese soldiers were also injured in the helicopter accident.

FRENCH REPRESENTATIVE SUMMONED, MAKES NO COMMENT

FL102010 Paramaribo International Service in English 1730 GMT 10 Jul 87

[Text] The French charge d'affaires in Suriname, Mr Gaston Le Paudert was yesterday summoned by Military Police Commander Liew Jen Tai in connection with the two dead mercenaries. When contacted yesterday Le Paudert declined to comment on the matter before speaking with the French authorities. He said, however, that the mercenary, who has been identified as (Loren Taccus) was presumedly a member of the French Foreign Legion. The French charge d'affaires was unavailable for comment this morning.